

whose goods have been seized to require a trial in the court of his own district, and the Bailey amendment which prevents multiple seizures of misbranded products; to the Committee on Interstate and Foreign Commerce.

10835. By Mr. RISK: Resolution of the Department of Rhode Island, Women's Relief Corps, auxiliary to the Grand Army of the Republic, recording its strong objection to any proposition to amend the existing Constitution of the United States of America so as to upset the present division of political powers and administration between State and Nation; to the Committee on the Judiciary.

10836. By the SPEAKER: Petition of the Citizen's Non-partisan Committee of St. Louis, Mo., to dissolve the United States Territorial Memorial Expansion Commission and requesting Congress not to appropriate any money for a memorial at St. Louis; to the Committee on the Library.

10837. Also, petition of the Nevada State Bar Association; to the Committee on the Library.

10838. Also, petition of the city of Phoenix, Ariz.; to the Committee on Banking and Currency.

HOUSE OF REPRESENTATIVES

WEDNESDAY, MAY 6, 1936

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

It is a good thing to give thanks unto the Lord and praise Thy name, O Lord Most High. How great are Thy works, and Thy thoughts are very deep. Sing, O ye heavens, for the Lord hath done it; shout ye lower parts of the earth, break forth into singing, O ye mountains. Verify Thy word unto us, gracious God: "Ye shall know the truth and the truth shall make you free." We beseech Thee to free our understanding from fatal errors and deliver us from false illusions. As our deliberations carry with them abiding issues, he who is not rich toward Thee is poor, indeed. Quicken our appreciation of our high calling and press us forward, filled with hope, admiration, and love for our dear native land, and unto Thee be eternal praises. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Latta, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills and joint resolutions of the House of the following titles:

On April 25, 1936:

H. R. 12037. An act relating to compacts and agreements among States in which tobacco is produced providing for the control of production of, or commerce in, tobacco in such States, and for other purposes.

On May 1, 1936:

H. R. 396. An act for the relief of the Virginia Engineering Co., Inc.;

H. R. 1915. An act for the relief of Henry O. Goddard;

H. R. 2623. An act for the relief of J. W. Hearn, Jr.;

H. R. 4016. An act to amend section 10 and repeal section 16 of the act entitled "An act to regulate the distribution, promotion, retirement, and discharge of commissioned officers of the Marine Corps, and for other purposes", approved May 29, 1934 (48 Stat. 811), and for other purposes;

H. R. 8320. An act for the relief of Mrs. John H. Wilke;

H. R. 8551. An act for the relief of J. C. Donnelly;

H. R. 9273. An act to extend the times for commencing and completing the construction of a bridge across the Missouri River at or near Weldon Spring, Mo.;

H. R. 9866. An act to extend certain provisions of the act approved June 18, 1934, commonly known as the Wheeler-Howard Act (Public Law No. 383, 73d Cong., 48 Stat. 984), to the Territory of Alaska, to provide for the designation of Indian reservations in Alaska, and for other purposes;

H. R. 10631. An act to extend the times for commencing and completing the construction of a bridge across the St. Lawrence River at or near Alexandria Bay, N. Y.;

H. R. 11043. An act to extend the times for commencing and completing the construction of a bridge across the Wac-camaw River at or near Conway, S. C.;

H. R. 11073. An act granting the consent of Congress to the State Highway Commission of Missouri to construct, maintain, and operate a free highway bridge across the Current River or at or near Powder Mill Ford on Route No. Missouri 106, Shannon County, Mo.;

H. R. 11402. An act authorizing the Delaware River Joint Toll Bridge Commission of the State of Pennsylvania and the State of New Jersey to construct, maintain, and operate a toll bridge across the Delaware River at a point near Delaware Water Gap;

H. R. 11476. An act to revive and reenact the act entitled "An act granting the consent of Congress to the Lamar Lumber Co. to construct, maintain, and operate a railroad bridge across the West Pearl River, at or near Talisheek, La.", approved June 17, 1930;

H. R. 11478. An act to extend the times for commencing and completing the construction of a bridge across the Mississippi River between St. Louis, Mo., and Stites, Ill.;

H. R. 11613. An act to extend the times for commencing and completing the construction of a bridge across the Tennessee River between Colbert County and Lauderdale County, Ala.;

H. R. 11644. An act to extend the times for commencing and completing the construction of a bridge across the Mississippi River at or near a point between Morgan and Wash Streets in the city of St. Louis, Mo., and a point opposite thereto in the city of East St. Louis, Ill.;

H. R. 11685. An act to extend the times for commencing and completing the construction of a bridge across the Wabash River at or near Merom, Sullivan County, Ind.;

H. R. 11729. An act to extend the times for commencing and completing the construction of a bridge across the Mississippi River at or near Natchez, Miss., and for other purposes;

H. R. 11738. An act granting the consent of Congress to the State Highway Commission of Mississippi to construct, maintain, and operate a free highway bridge across Pearl River at or near Monticello, Miss.;

H. R. 11772. An act to extend the times for commencing and completing the construction of a bridge across the Ohio River at or near Sistersville, W. Va.;

H. J. Res. 412. Joint resolution to authorize an investigation of the means of increasing capacity of the Panama Canal for future needs of interoceanic shipping, and for other purposes; and

H. J. Res. 553. Joint resolution extending the time for the Federal Trade Commission to make an investigation and file final report with respect to agricultural income and the financial and economic condition of agricultural producers generally.

On May 4, 1936:

H. R. 1440. An act for the relief of Arthur W. Bradshaw;

H. R. 2622. An act for the relief of M. Waring Harrison;

H. R. 4277. An act for the relief of James R. Russell;

H. R. 4362. An act for the relief of Patrick J. Leahy;

H. R. 4387. An act conferring jurisdiction upon the United States District Court for the Western District of Michigan to hear, determine, and render judgment upon the claim of Barbara Backstrom;

H. R. 4411. An act for the relief of Mary L. Munro;

H. R. 4638. An act for the relief of Elizabeth Halstead;

H. R. 4965. An act for the relief of M. M. Smith;

H. R. 5753. An act for the relief of Edith H. Miller;

H. R. 6344. An act for the relief of the estate of John A. McGloin;

H. R. 6578. An act for the relief of Joseph A. Therry;

H. R. 6848. An act for the relief of the First Federal Savings & Loan Association of Shawnee, Okla.;

H. R. 7904. An act for the relief of the Grant Hospital and Dr. M. H. Streicher;

H. R. 8034. An act for the relief of Mae Poulard;
 H. R. 8094. An act for the relief of Dr. J. C. Blalock;
 H. R. 8685. An act for the relief of Edwin Pickard;
 H. R. 9076. An act for the relief of W. H. Dean;
 H. R. 9171. An act for the relief of Myrtle T. Grooms;
 H. R. 10521. An act for the relief of Joseph Mossew;
 H. R. 10575. An act for the relief of Catherine I. Klein;
 H. R. 11231. An act for the relief of Rasmus Bech; and
 H. R. 11562. An act to renew patent no. 25909, relating to the badge of the United States Daughters of 1812.

On May 5, 1936:

H. R. 1265. An act for the relief of N. N. Self;
 H. R. 1363. An act for the relief of Petra M. Benavides;
 H. R. 2189. An act for the relief of Julia M. Ryder;
 H. R. 3152. An act for the relief of Joseph Jochemczyk;
 H. R. 3383. An act to provide a preliminary examination of the Greenbrier River and its tributaries in the State of West Virginia, with a view to the control of its floods;
 H. R. 3384. An act to provide a preliminary examination of the Cheat River and its tributaries in the State of West Virginia, with a view to the control of its floods;
 H. R. 3385. An act to provide a preliminary examination of the Potomac River and its tributaries, with a view to the control of its floods;
 H. R. 3513. An act for the relief of Archie P. McLane and Hans Peter Jensen;
 H. R. 3573. An act for the relief of Jens H. Larsen;
 H. R. 4571. An act for the relief of William W. Bartlett;
 H. R. 4660. An act for the relief of Robert C. E. Hedley;
 H. R. 4725. An act for the relief of Catherine Donnelly, Claire E. Donnelly, John Kufall, Mary F. Kufall, and Elizabeth A. Tucker;
 H. R. 4779. An act for the relief of Capt. Chester Gracie;
 H. R. 4951. An act for the relief of the Moffat Coal Co.;
 H. R. 7253. An act for the relief of James Murphy Morgan and Blanche Copelan;
 H. R. 7468. An act for the relief of Izelda Boissoneau;
 H. R. 8088. An act for the relief of Nahwista Carr Bolk;
 H. R. 9208. An act for the relief of Foot's Transfer & Storage Co., Ltd.; and
 H. R. 10489. An act to authorize the coinage of 50-cent pieces in commemoration of the two hundred and fiftieth anniversary of the founding and settlement of the city of New Rochelle, N. Y.

LABOR CONDITIONS IN THE TEXTILE INDUSTRY

Mr. CONNERY. Mr. Speaker, I ask unanimous consent that I may have until midnight tonight to file a report on the bill (H. R. 12285) to rehabilitate and stabilize labor conditions in the textile industry of the United States; to prevent unemployment and to provide minimum wages, maximum hours, and other conditions of employment in said industry; to safeguard and promote the general welfare; and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

ORDER OF BUSINESS

Mr. SNELL. Mr. Speaker, I wish to make an announcement to the House.

A few days ago I received the unanimous consent of the House for the gentleman from Kentucky [Mr. ROSSION] to address the House for 30 minutes today. Mr. ROSSION is confined to his house with the grippe and will be unable to be present. We will therefore have to renew the request at a later time.

JOSEPH G. CANNON

Mr. SABATH. Mr. Speaker, tomorrow it will be 100 years since Joseph G. Cannon, one of our greatest statesmen, as well as a great Speaker of this House, was born, and I ask unanimous consent that 30 minutes may be set aside tomorrow, after the reading of the Journal and the disposition of matters on the Speaker's table, for some of those who knew him best to pay their respects to his memory.

Mr. BUCHANAN. Mr. Speaker, reserving the right to object, I am perfectly willing for the House to pay a deserved

tribute to this grand old man, but I want to ask unanimous consent to modify the request by having the House meet at 11:30 o'clock a. m. tomorrow.

Mr. SABATH. Mr. Speaker, I accept the amendment of my request.

The SPEAKER. The gentleman from Illinois [Mr. SABATH] asks unanimous consent that when the House adjourns today it adjourn to meet at 11:30 o'clock tomorrow morning, and that immediately after the reading of the Journal and the disposition of matter on the Speaker's table, 30 minutes be allowed for the Members to pay a tribute to the memory of former Speaker Cannon. Is there objection?

There was no objection.

THE STATE, JUSTICE, COMMERCE, AND LABOR DEPARTMENTS APPROPRIATION BILL, 1937

Mr. McMILLAN. Mr. Speaker, I call up the conference report on the bill (H. R. 12098) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1937, and for other purposes, and ask unanimous consent that the statement may be read in lieu of the report.

There being no objection, the Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12098) "making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1937, and for other purposes", having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 7, 10, 23, 32, 33, 34, and 52.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 4, 6, 8, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21, 25, 26, 27, 28, 29, 30, 31, 35, 36, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 53, 54, and 59, and agree to the same.

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$26,000"; and the Senate agree to the same.

Amendment numbered 5: That the House recede from its disagreement to the amendment of the Senate numbered 5, and agree to the same with an amendment, as follows: In lieu of the matter inserted by said amendment, insert the following:

"For investigations relating to the establishment of a Federal zone along the international boundary, United States and Mexico, as authorized by Public Law Numbered 286, approved August 19, 1935 (49 Stat. 660), including salaries and wages; fees for professional services; supplies and materials; communication service; travel expenses; transportation of things; hire, maintenance, and operation of motor-propelled passenger- and freight-carrying vehicles; hire with or without personal services of work animals and animal-drawn and motor-propelled vehicles and equipment; and such other expenses as the Secretary of State may deem necessary, \$4,650, to be immediately available."

And the Senate agree to the same.

Amendment numbered 19: That the House recede from its disagreement to the amendment of the Senate numbered 19, and agree to the same with an amendment, as follows: Restore the matter stricken out by said amendment, amended to read as follows: "and for payment of foreign counsel employed by the Attorney General in special cases, \$600,000, no part of which, except for payment of foreign counsel, shall be used to pay the compensation of any persons except attorneys duly licensed and authorized to practice under the laws of any State, Territory, or the District of Columbia"; and the Senate agree to the same.

Amendment numbered 22: That the House recede from its disagreement to the amendment of the Senate numbered 22, and agree to the same with an amendment, as follows: In lieu of the matter inserted by said amendment insert the following:

"No part of the funds appropriated by Title II of this act for salaries of judges, the Attorney General, Assistant Attorneys-General, Solicitor General, district attorneys, marshals, and clerks of court shall be used for any other purpose whatsoever, but such salaries shall be allotted out of appropriations herein made for such salaries and retained by the Department and paid to such officials severally, as and when such salaries fall due and without delay."

And the Senate agree to the same.

Amendment numbered 24: That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment, as follows: In lieu of the sum proposed, insert: "\$225,000"; and the Senate agree to the same.

Amendment numbered 37: That the House recede from its disagreement to the amendment of the Senate numbered 37, and agree to the same with an amendment, as follows: In lieu of the sum proposed, insert: "\$30,000"; and the Senate agree to the same.

Amendment numbered 55: That the House recede from its disagreement to the amendment of the Senate numbered 55, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert: "\$850,000"; and the Senate agree to the same.

Amendment numbered 56: That the House recede from its disagreement to the amendment of the Senate numbered 56, and agree to the same with an amendment as follows: In lieu of the sum proposed insert "\$628,500"; and the Senate agree to the same.

Amendment numbered 57: That the House recede from its disagreement to the amendment of the Senate numbered 57, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "miscellaneous expenses, \$2,785,000, of which amount not to exceed \$885,000 shall be available for the Veterans' Placement Service, the Farm Placement Service, District of Columbia Public Employment Center, and all other purposes, including not to exceed \$197,500 for personal services in the Department in the District of Columbia, and the remainder shall be available for payment to the several States in accordance with the provisions of the said Act of June 6, 1933, as amended: *Provided*, That apportionments for the fiscal year 1937 shall be on the basis of a total apportionment to all States of \$3,000,000, and in order to supply the Government's apportionments to States under such Act during the fiscal years 1936 and 1937, which are not capable of being supplied under the foregoing appropriation, there is hereby appropriated so much as may be necessary to supply such apportionments, but not more than \$1,675,000"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 9 and 58.

THOS. S. McMILLAN,
MALCOLM C. TARVER,
LOUIS C. RABAUT,
JAS. MCANDREWS,
ROBERT L. BACON,
FLORENCE P. KAHN,

Managers on the part of the House.

KENNETH MCKELLAR,
RICHARD B. RUSSELL, Jr.,
KEY PITTMAN,
FREDERICK HALE,
GERALD P. NYE,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12098) making appropriations for the Departments of State and Justice and for the judiciary, and for the Departments of Commerce and Labor, for the fiscal year ending June 30, 1937, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

State Department

On amendment no. 1: Appropriates \$26,000 for collecting and editing official papers of the United States instead of \$23,000, as proposed by the House, and \$29,000, as proposed by the Senate.

On amendments nos. 2, 3, and 4: Appropriates \$10,000 for expenses of the American group of the Interparliamentary Union, as proposed by the Senate, instead of \$7,500, as provided by the House, and corrects total accordingly.

On amendment no. 5: Appropriates \$4,650 for an investigation relating to the establishment of a Federal zone along the international boundary, United States and Mexico, in lieu of providing an appropriation of \$25,000 for an investigation and the construction of fences on the border.

On amendments Nos. 6, 7, and 8: Limits any salary or honorarium paid from the appropriation for arbitration of smelter-fumes controversy to a rate not in excess of \$10,000 per annum, and agrees to Senate language requiring decision under the arbitration to be consummated within 2 years.

On amendment no. 10: Retains the House language requiring a deduction of 5 percent of moneys received in settlement of general claims of American citizens against the Mexican Government, which deduction is deposited in the Treasury of the United States.

On amendments nos. 11 and 12: Appropriates \$90,000 in addition to the unexpended balance for expenses of the Special Mexican Claims Commission, as proposed by the Senate, instead of appropriating solely the unexpended balance, as proposed by the House.

Department of Justice

On amendment no. 13: Limits the operation of the statute requiring competitive bidding for purchases or services rendered in instances where the amount involved is more than \$50, as provided by the Senate, instead of \$100, as provided by the House.

On amendment no. 14: Appropriates \$435,000 for enforcement of antitrust and kindred laws, as proposed by the Senate, instead of \$420,000, as provided by the House.

On amendments nos. 15 and 16: Inserts language and provides funds in the amount of \$7,765 for living-quarters allowances for the United States Court in China, as proposed by the Senate.

On amendment no. 17: Appropriates \$3,300,000 for salaries and expenses of marshals, as proposed by the Senate, instead of \$3,285,000, as proposed by the House.

On amendment no. 18: Appropriates \$3,083,510, as proposed by the Senate, for salaries and expenses of district attorneys, etc., instead of \$3,063,000, as proposed by the House.

On amendment no. 19: Reinserts in the bill language deleted by the Senate providing for payment of foreign counsel under the heading "Salaries and expenses of special attorneys, etc.", and provides an appropriation of \$600,000 instead of \$500,000, as proposed by the House, and \$700,000, as provided by the Senate. Also inserts a limitation that none of the funds may be used to pay anyone except a duly qualified and licensed attorney.

On amendment no. 20: Limits the salary paid to any one person employed as a special assistant to the Attorney General to not to exceed a rate of \$10,000 per annum, as proposed by the Senate, instead of limiting to \$10,000 the amount that may be paid to any one person, as provided by the House.

On amendment no. 21: Appropriates \$2,125,000 for salaries and expenses of clerks of courts, as proposed by the Senate, instead of \$2,095,650, as proposed by the House.

On amendment no. 22: Inserts with minor changes language proposed by the Senate to require prompt allotment and payment of salaries of judges, district attorneys, marshals, etc.

On amendment no. 23: Limits the amount that may be expended for personal services at the National Training School for Boys to \$111,000, as proposed by the House, instead of \$113,625, as proposed by the Senate.

On amendment no. 24: Appropriates \$225,000 for expenses of the National Training School for Boys in lieu of \$215,000, as proposed by the House, and \$236,470, as proposed by the Senate.

Department of Commerce

On amendment no. 25: Inserts Senate language providing for use of not to exceed \$10,000 of certain appropriations for the Department of Commerce for purchase of letters patent, applications for letters patent, etc.

On amendment no. 26: Inserts Senate language limiting the use of the appropriation for air-navigation facilities under the Bureau of Air Commerce. The limitation prevents the use of more than \$50,000 for investigation, research, and experimentation in developing and improving aids to air navigation.

On amendment no. 27: Strikes out language, as proposed by the Senate, which would permit replacement of airplanes for service and experimental use for the Bureau of Air Commerce.

On amendment no. 28: Appropriates \$882,920 for establishment of aids for air navigation under the Bureau of Air Commerce, as proposed by the Senate, instead of \$942,920, as proposed by the House.

On amendment no. 29: Appropriates \$4,764,080 for maintenance of air navigation facilities under the Bureau of Air Commerce, as proposed by the Senate, instead of \$4,523,080, as proposed by the House.

On amendment no. 30: Appropriates \$328,800, as proposed by the Senate, for salaries in the office of the Director of the Bureau of Foreign and Domestic Commerce, instead of \$321,400, as proposed by the House.

On amendment no. 31: Appropriates \$410,000 for promoting commerce in Europe, Bureau of Foreign and Domestic Commerce, as proposed by the Senate, in lieu of \$394,300, as proposed by the House.

On amendment no. 32: Appropriates \$192,400 for promoting commerce in Latin America, Bureau of Foreign and Domestic Commerce, as proposed by the House, instead of \$201,000, as proposed by the Senate.

On amendment no. 33: Appropriates \$123,000 for promoting commerce in the Far East, Bureau of Foreign and Domestic Commerce, as proposed by the House, instead of \$129,000, as proposed by the Senate.

On amendment no. 34: Appropriates \$33,700 for promoting commerce in Africa, Bureau of Foreign and Domestic Commerce, as proposed by the House, in lieu of \$38,000, as provided by the Senate.

On amendments nos. 35 and 36: Appropriates \$527,000, as provided by the Senate for export industries, Bureau of Foreign and Domestic Commerce, instead of \$500,000, as proposed by the House, and adopts the Senate figure of \$520,000 for a limitation on the amount expendable for personal services in the District of Columbia, instead of \$495,000, as proposed by the House.

On amendment no. 37: Appropriates \$30,000 for operation of foreign trade zones in lieu of \$25,000, as proposed by the House, and \$35,000, as proposed by the Senate.

On amendment no. 38: Makes appropriation for printing accumulated census data under the Census Bureau immediately available in the amount of \$35,000, as provided by the Senate.

On amendment no. 39: Makes appropriation for salaries and general expenses under the Bureau of Navigation and Steamboat Inspection available to pay for contract stenographic reporting services in the District of Columbia and elsewhere, as provided by the Senate.

On amendment no. 40: Appropriates \$800,000 for testing, inspection, and information service, Bureau of Standards, as proposed by the Senate, instead of \$780,000, as provided by the House.

On amendment no. 41: Appropriates \$671,500, as proposed by the Senate, for research and development, Bureau of Standards, instead of \$669,000, as proposed by the House.

On amendment no. 42: Appropriates \$110,000 for standards for commerce, Bureau of Standards, as proposed by the Senate, in lieu of \$109,000, as proposed by the House.

On amendments nos. 43 and 44: Corrects total and limitation on personal services in the District of Columbia, Bureau of Standards, to correspond with conference action on amendments numbered 40, 41, and 42.

On amendment no. 45: Appropriates \$125,600 for salaries, office of the Commissioner, Bureau of Lighthouses, as proposed by the Senate, in lieu of \$121,000, as proposed by the House.

On amendments nos. 46 and 47: Appropriates \$4,424,000 for general expenses, Bureau of Lighthouses, as proposed by the Senate, in lieu of \$4,034,000, as proposed by the House, and makes the amount of the increase, namely, \$390,000, immediately available for repairs due to storm and ice damage, as proposed by the Senate.

On amendment no. 48: Appropriates \$156,420 for salaries in the Commissioner's office, Bureau of Fisheries, as proposed by the Senate, in lieu of \$154,800, as proposed by the House.

On amendment no. 49: Appropriates \$62,000 for fishery industries, Bureau of Fisheries, as proposed by the Senate, in lieu of \$60,800, as proposed by the House.

On amendment no. 50: Appropriates \$15,000 for the enforcement of the black bass law, Bureau of Fisheries, as proposed by the Senate.

On amendment no. 51: Appropriates \$12,500 for the Fisheries Cooperative Marketing Act, as provided by the Senate, in lieu of \$10,000, as proposed by the House.

On amendment no. 52: Eliminates an item, inserted by the Senate, to provide for acquisition of a site for a fish hatchery in Montana.

Department of Labor

On amendments nos. 53 and 54: Appropriates \$140,000 for promotion of health, safety, employment, etc., as proposed by the Senate, in lieu of \$124,500, as proposed by the House, and provides a limitation of \$83,580 on the amount expendable for personal services in the District of Columbia, as provided by the Senate, in lieu of \$70,000, proposed by the House.

On amendments nos. 55 and 56: Appropriates \$850,000 for the Bureau of Labor Statistics, in lieu of \$748,000, as proposed by the House, and \$884,600, as provided by the Senate, and places the limitation on personal services in the District of Columbia at \$628,500, in lieu of \$600,000, as proposed by the House, and \$640,000, as proposed by the Senate.

On amendment no. 57: Retains the language inserted by the Senate for the United States Employment Service, which will provide apportionments to all States under the terms of the Wagner-Peyser Act on the basis of a total apportionment of \$3,000,000. Appropriation is made of \$2,785,000, as proposed by the House, in lieu of \$2,807,500, as provided by the Senate, and the House limitations on personal services in the District of Columbia is retained. In addition to the specific appropriation, the Senate language which is agreed to makes an indefinite appropriation of such amount as may be necessary, not to exceed \$1,675,000, to supply apportionments to States that cannot be supplied out of the specific appropriation of \$1,900,000.

On amendment no. 59: Inserts a Senate provision making an appropriation of \$275,000 for the participation of the Federal Government in the Great Lakes Exposition to be held in Cleveland, Ohio, in June of 1936.

THOS. S. McMILLAN,
MALCOLM C. TARVER,
LOUIS C. RABAUT,
JAS. McANDREWS,
ROBERT L. BACON,
FLORENCE P. KAHN,

Managers on the part of the House.

The SPEAKER. The question is on agreeing to the conference report.

Mr. RICH. Mr. Speaker, are we going to have an opportunity to interrogate the gentleman from South Carolina who is in charge of the bill?

Mr. McMILLAN. Mr. Speaker, I desire to take just a little time to discuss the amendments, and then I shall yield to the gentleman from Pennsylvania.

Mr. Speaker, the conference report embraces 59 different amendments that were adopted by the Senate. The conferees of the two Houses have met and, as usual, we have, I think, made a rather happy compromise on all of the amendments with the exception of amendments no. 9 and no. 58. At a later time during the consideration of the report I shall ask the House to give us a vote on these two amendments.

I may say, generally, that the conference report is under the Budget estimate to the extent of approximately \$7,000,000.

Mr. Speaker, this completes my statement on the report unless there are some questions.

Mr. MAPES. Mr. Speaker, will the gentleman yield?

Mr. McMILLAN. I yield.

Mr. MAPES. Referring to amendment no. 22, relating to the appropriation for the salaries of the Attorney General, district attorneys, marshals, and clerks, what is the purpose of this amendment?

Mr. McMILLAN. It is an amendment put on by the Senate to expedite the payment of salaries of these employees on the 1st of every month.

Mr. MAPES. My understanding is that the Attorney General or the Department of Justice in the past has had dis-

cretion or power to fix the salaries of some of these officers. Does this amendment affect such discretion in any way?

Mr. McMILLAN. The fact is the amendment will not change the present policy in the Department with respect to the salaries paid any of the employees. The purport of the amendment is merely to provide that these salaries shall be paid promptly on the 1st of the month.

Mr. MAPES. What is the evil attempted to be cured by the amendment?

Mr. McMILLAN. The evil has been that these employees have not been paid promptly on the 1st of the month. They used to pay the expense bills promptly, but not the salaries, and the idea of this amendment is to see to it that this situation is remedied.

Mr. MAPES. It seems to me that is a rather unusual situation. I had supposed that the salaries of the Attorney General and the marshals and the clerks were paid promptly at the beginning of the month.

Mr. McMILLAN. We hope this provision will bring about that result.

Mr. MAPES. And that is the only purpose of the amendment?

Mr. McMILLAN. That is the only purpose; yes.

Mr. Speaker, I yield 10 minutes to the gentleman from New York [Mr. BACON].

Mr. BACON. Mr. Speaker, I do not propose to take 10 minutes, but I do want to make one or two comments about this conference report.

On the whole, the conference report and bill are in pretty good shape. The Budget sent to the House the amount of \$122,651,577. After the bill had passed the House the Budget estimates actually and in prospect were increased \$1,440,000, so that the Budget estimate before the Senate was \$124,091,577.

In spite of this increase, however, the Senate added to the House bill only \$960,000.

The conference report cut that amount considerably, so that we find that the conference report which you have before you today is under the final Budget estimates by the amount of \$7,639,382.

I think if all the appropriation bills went through in as good shape as this one we would be considerably under the President's budget and would save a lot of money for the Government.

I want also to suggest that this bill contains for new laws and new construction that did not exist in 1936 the sum of \$8,697,000. If that amount for new construction and new laws is eliminated, this bill will be found to be under the appropriation for 1936. I think we can be well satisfied with the moderation shown by another body compared to extravagance shown in connection with other appropriation bills, particularly the Interior and Agriculture appropriation bills.

In closing, I want to take the opportunity to express my personal appreciation of the splendid work that the acting chairman of our subcommittee [Mr. McMILLAN] has done on this bill. [Applause.] He has been most courteous and fair; he has understood his subject completely, and has been a worthy successor of Mr. OLIVER, of Alabama, whom we all regret has not been able to be present in the House this year.

Mr. MAY. Will the gentleman yield?

Mr. BACON. I yield to the gentleman.

Mr. MAY. There was a request from the Budget to increase the appropriations \$1,000,000. The Senate put it up to \$900,000, and the conference report has allowed how much?

Mr. BACON. The conference report, as it appears today, is \$734,180 over the bill as it passed the House; but in considering that point you must realize the Budget's additional estimates, amounting to a total of \$1,440,000, were sent to the Senate after the bill had passed the House.

In other words, the increase in the conference report from the amount of the bill carried in the House is only about one-half of the amount of the Budget's additional estimates sent to the Senate and considered by them. The Budget estimates before the House were \$122,651,577. The Budget estimates before the Senate were \$124,091,577. The bill as

it passed the House appropriated \$115,718,015, and as it passed the Senate appropriated \$116,678,015, and in this conference report the appropriation is \$116,452,195. This last amount is under the final Budget estimates before the Senate by \$7,639,382.

Mr. McMILLAN. Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Speaker, I do not want to have anything personal to say in respect to those who are in charge of this State, Justice, Commerce, and Labor Departments appropriation bill, any more than I do about the conferees on any other bill, but I do call attention to the fact that the statement made by the gentleman from Virginia [Mr. WOODRUM] still rings true, namely, Budget estimates are one thing and what Congress appropriates is another. What we appropriated last year is one thing and the amount we increase the appropriation this year is another thing. It is your responsibility and it is my responsibility to see that we do not wreck this Government on the shoals of financial disaster. In 1936, for this same State, Justice, Commerce, and Labor Departments appropriations bill, we appropriated \$106,767,327. This year we have appropriated \$114,467,400, that is, when the bill came from the House of Representatives, so that we increased the appropriation bill \$7,700,074. The conferees have been working with the Senate, and they did a good job in holding the Senate down, but the conference report increases the bill \$960,000.

Mr. McMILLAN. Mr. Speaker, will the gentleman yield?

Mr. RICH. I shall when I have made my statement. If I make any mistakes, I want the gentleman to correct me. In other words, we have increased the appropriation \$8,860,070 over what it was a year ago. We talk about Budget estimates. We talk about what the departments want. Gracious, goodness me, if we permitted the departments of this Government to come in here and get everything they want, we would wreck this Government in the next 2 years. We are appropriating this year more than we appropriated last year to the extent of \$8,860,070 in this particular bill, and before the day is over we will have another war appropriation bill here which will add \$150,000,000 over what we spent last year and another Treasury and Post Office bill adding over \$30,000,000. Just think what we are doing. That is, if you have mentality to think.

I say to you that Mr. Morgenthau, before the Senate committee last week, made the statement that we are going to be in the red over \$6,000,000,000 this year. Think of it! We are going to spend this year over \$6,000,000,000 above our income! When we were considering the tax bill last month asking for taxes amounting to \$800,000,000, that was only a drop in the bucket compared to our spending. What you must do is cut down these expenses—these appropriations. That is where you will have to save the money; that is the only sensible thing to do; that is where you will have to try and save the country. I appeal to you now that it is necessary for you to use good common sense in these increased appropriations. Do not let the Senate run over this House. Let our conferees go back and let them strive earnestly to cut down just as these conferees no doubt did, but we must say to the Senate "halt", and we must stop the Senate and we must stop the House of Representatives from making these exorbitant appropriations.

Mr. McMILLAN. Mr. Speaker, will the gentleman yield?

Mr. RICH. Yes.

Mr. McMILLAN. I make this statement for the gentleman's information. The gentleman from New York [Mr. BACON] stated that were it not for the social-security legislation and the building program that the Congress passed last year and the previous year the appropriation carried in this bill here for these four departments would be less than was carried last year.

Mr. RICH. Very well. Let me answer that. Every year since I have been in Congress we have added new duties to the departments and they are just like snowballs coming down over the mountain. They get larger and larger each

year because of the added duties we put on them. The departments of the Government are becoming great and eventually they are going to wreck the Nation. Jefferson said, "The best government is that that governs least."

The SPEAKER. The time of the gentleman from Pennsylvania has expired.

Mr. McMILLAN. Mr. Speaker, I yield 2 minutes more to the gentleman.

Mr. RICH. Mr. Speaker, the President of the United States made the statement in Baltimore that the national income for 1932 was \$35,000,000,000, and for 1936, \$65,000,000,000. A report was made by the Secretary of the Treasury, Mr. Morgenthau, in the Senate the other day that the national income in 1932 was \$39,000,000,000 and for 1936 he estimated \$54,000,000,000. There is a very great difference between the statement made by the President and the statement made by the Secretary of the Treasury, and it seems to me that the President ought to get his figures from the Secretary of the Treasury before he makes any financial statements. He also made the statement that on the first of the year we are approaching a balanced Budget, when the Secretary of the Treasury says this week that we are going to be out of balance \$6,000,000,000. Spending six billions more than we receive.

Mr. CURLEY. Mr. Speaker, will the gentleman yield?

Mr. RICH. I have only 2 minutes. If the gentleman will get me 5 minutes, I shall yield to him. Secretary of the Treasury Morgenthau says that we will be \$40,000,000,000 in the red at the end of 1937, and I begin to think the Secretary knows what he is talking about. He is worried; why would he not be? It seems to me that if the men in Congress knew how they are wrecking the country you would not be doing the things that you are doing here now, running the national debt beyond the ability of the oncoming generations to stand it. I say to the young people of America, demand that Congress stop this ruthless expenditure and waste of Government funds. Compel them to pay their own way and not hand the burden on to us to assume.

[Here the gavel fell.]

The SPEAKER. The time of the gentleman from Pennsylvania has again expired. The question is on the conference report.

Mr. McMILLAN. Mr. Speaker, in reply to the gentleman's statement, I call the attention of the House to the fact that under the social-security bill approximately \$3,000,000 are carried in this appropriation.

For the construction work on the Rio Grande there is a total of \$2,800,000. For new construction of our penal institutions there was a total of \$2,850,000. This is a total increase of \$8,600,000 for these three projects. In other words, if this \$8,600,000 was left out or eliminated from this bill, the appropriation for this year for these four departments would be less than carried in last year's appropriation bill.

Mr. Speaker, I now yield 5 minutes to the gentleman from Maine [Mr. BREWSTER].

THE CANADIAN TRADE AGREEMENT

Mr. BREWSTER. Mr. Speaker, for 150 years under all administrations the power to fix tariffs affecting our foreign trade has been exercised by Congress in accordance with what were supposed to be the provisions of the Constitution of the United States.

Three years ago the last Congress passed legislation purporting to grant unprecedented powers in tariff making to the President of the United States. In justice to my Democratic colleague from the State of Maine, my nearest congressional neighbor, Hon. E. CARL MORAN, Jr., it is a pleasure to state that he was one of the two Democratic Members of the last Congress to vote against this extraordinary grant of power.

The Canadian trade agreement of last November was one of the early fruits of this new program designed according to the declarations of the Secretary of State steadily to lower our tariff barriers and promote the policy of the good neighbor.

In general it seems fair to say that Canada lowered the duties on things they desired to buy from us for the benefit of their consumers. Conspicuous among these items were the machinery and magazines that were the cheap products of our mass production. Canadians very much wanted these things at our lower costs.

On the other hand, the United States lowered its duties not on the things the United States wished to buy, because our market in most instances was already suffering from a glut but rather were our tariff walls lowered on the things Canada wished to sell to us. These were the products of their farms, their fisheries, and their forests.

Certainly no one in America has apprehended any shortage in these items except as the result of the restrictive policies of recent years.

In the first 3 months of this year under the new agreement exports from the United States to Canada of the things they desired and needed increased over the same period of last year by \$7,715,000. Meanwhile Canada increased its shipments to the United States over the same period a year ago by \$16,185,000. These products in large measure added to our glut and prejudiced our producers of agricultural products.

The difficulty of an equitable agreement between countries on hundreds of items of trade is greatly accentuated in the case of Canada and the United States, where we are trading a market of 100,000,000 consumers in this country for a market of 10,000,000 consumers in our neighbor to the north.

In addition, Canada very prudently provided that the far-famed most-favored-nation clause must now be modified to read "most favored foreign nation", which automatically excluded from its benefits, so far as we are concerned, the entire British dominions, with a population of over 400,000,000. Canada was left free to make any tariff concessions that might at any time seem advisable to any of the British commonwealth of nations and the United States was left helpless.

A SCRAP OF PAPER

All these disadvantages were understood when the agreement was announced.

It has remained for our Canadian neighbors, however, very promptly to educate our State Department and our people to some of the possibilities inherent in this agreement.

Everyone was startled to read in the Canadian dispatches of this past week that the new Canadian budget introduced last Friday proposed to restore the previously existing tariffs on four items of commerce with the United States.

The State Department advises that the United States is helpless since these items were not included in the first schedule of the Canadian agreement, but in the so-called intermediate tariff the rates in which it now appears are subject to change by Canada at any time.

What Canada has done in this instance for potatoes, raisins, eggs in the shell, and cut flowers can be done equally well for hundreds of other items contained in the so-called intermediate tariff.

Meanwhile the British preferential tariff may be lowered at will or altogether abolished and the United States must be crucified in the name of being a good neighbor. It seems evident that the Secretary of State should exercise more of his personal charm and transparent sincerity of purpose upon our neighbors to the north in order that they may not scrap their side of the agreement before the ink is scarcely dry.

Curiously enough, the same budget lowers the duties still further on certain manufactured products, demonstrating rather conclusively that the lowered rates of the Canadian agreement were in many instances not concessions to the United States but, rather, grants in aid to the Canadian consumer.

In other words, as the New York Times of May 2, 1936, revealingly reports:

The concessions are designed to benefit the Canadian consumer rather than the United States exporter.

The Times also adds:

The budget was notable for the Government's evident desire to conciliate the British exporters, as it grants to the British substantial concessions on cotton and rayon yarns and fabrics, earthenware, and iron and steel machinery.

The United States is without redress, although the effects upon our trade relations may be most profound.

The increases in the tariff are aimed squarely at the United States. Taking potatoes off the free list and restoring the duty of 75 cents per hundredweight shuts the door in the face of any possible American exports from the South or the North. Canada is still left with the full concession of shipping into the United States 750,000 bushels of seed potatoes at reductions of 20 and 40 percent, respectively, from our tariff.

The present favorable price for potatoes need not blind our producers or our State Department to the absolutely unfair character of this action.

The tariff on eggs is restored to 10 cents a dozen. Raisins are raised from 3 cents to 4 cents and there are similar increases on cut flowers and baby chicks.

Under the trade agreement with Canada, Maine received practically no benefits, and many serious duty cuts on items of great importance were bound upon the free list for 3 years.

Certified seed potatoes are one of the most important products of eastern and northern Maine. Of scarcely less importance are pulp and paper products and lumber and fish. All these items of trade were committed for 3 years against increased protection of any character.

Also of importance were such items as frozen blueberries, maple sugar, cream, and many other products of New England.

Already the herring industry in eastern Maine has been demoralized by the 50-percent cut in duty, and hundreds of honest citizens find their means of livelihood depleted or destroyed.

The Canadian fishermen and fish plants are meanwhile going forward full blast to take advantage of the concessions of our State Department under the authorization of the President and to develop a most extensive market for their products within the United States.

The only result of this "good neighbor" policy in eastern Maine is to increase the present and prospective burden of relief.

The recent action of the Canadian Government suggests strongly that from their standpoint the Canadian agreement is to a substantial extent a scrap of paper binding still upon our Government and our people but with myriad loopholes through which they can vary their trade policies as they please. [Applause.]

[Here the gavel fell.]

Mr. McMILLAN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

The SPEAKER. The Clerk will report the first amendment in disagreement.

The Clerk read as follows:

Amendment no. 9: Page 28, after line 10, insert:

"INTER-AMERICAN CONFERENCE"

"For the expenses of participation by the United States in an Inter-American Conference to be held at Buenos Aires, Argentina, or at the capital of another American republic, in 1936, including personal services in the District of Columbia or elsewhere without reference to the Classification Act of 1923, as amended; stenographic reporting and other services by contract if deemed necessary without regard to section 3709 of the Revised Statutes (U. S. C., title 41, sec. 5); rent; traveling expenses (and by indirect routes and by airplane if specifically authorized by the Secretary of State); hire, maintenance, and operation of motor-propelled passenger-carrying vehicles; equipment, purchase of necessary books, documents, newspapers, periodicals, and maps; stationery; official cards; entertainment; printing and binding; and such other expenses as may be authorized by the Secretary of State, including the reimbursement of other appropriations from which

payments may have been made for any of the purposes herein specified, to be expended under the direction of the Secretary of State, \$75,000, to be immediately available."

Mr. McMILLAN. Mr. Speaker, I move that the House recede and concur in the Senate amendment.

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment no. 58: Page 113, after line 5, insert:

"Sec. 3. That in passing upon applications made for compensation under the provisions of the item for 'Payment to cotton ginner' contained in title I of the Supplemental Appropriation Act, fiscal year 1936 (Public Law No. 440, 74th Cong.), and in making payments pursuant to such applications, the Secretary of Agriculture is authorized and directed, in the interest of saving as much administrative expense as possible and in order to avoid delay in passing upon such applications, to accept as sufficient proof in connection with any such application, proof of the number of bales ginned by the applicant during the period June 1, 1935, to February 10, 1936, inclusive: *Provided*, That no payment shall be made on any application for such compensation unless the application is filed prior to September 1, 1936."

Mr. McMILLAN. Mr. Speaker, I move that the House recede and concur in Senate amendment no. 58 with an amendment, as follows:

Strike out all of section 3 and insert a new section, as follows:

"Sec. 3. That in passing upon applications made for compensation under the provisions of the item for 'Payment to cotton ginner' contained in title I of the Supplemental Appropriation Act, fiscal year 1936 (Public Law No. 440, 74th Cong.), and upon payments pursuant to such applications, the Secretary of Agriculture and the Comptroller General of the United States are authorized and directed, in the interest of saving as much administrative expense as possible and in order to avoid delay in passing upon such applications, to assume that the additional expenses incurred in connection with the administration of the act of April 21, 1934 (49 Stat. 598-607), equaled 25 cents per bale, counting round bales as half bales, during the period June 1, 1935, to February 10, 1936, inclusive: *Provided*, That no payment shall be made on any application for such compensation unless the application is filed prior to September 1, 1936."

The SPEAKER. The question is on the motion of the gentleman from South Carolina.

The motion was agreed to.

On motion by Mr. McMILLAN, a motion to reconsider was laid on the table.

WAR DEPARTMENT APPROPRIATION BILL, 1937

Mr. PARKS. Mr. Speaker, I call up the conference report on the bill (H. R. 11035) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1937, and for other purposes, and I ask unanimous consent that the statement may be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 11035) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1937, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 6, 7, 23, 24, 26, 31, 32, 33, 34, 41, and 44.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 5, 8, 17, 19, 21, 22, 23, 30, 36, 37, 38, 39, 40, 46, 47, and 48, and agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows: In lieu of the matter inserted by said amendment, insert the following: "settlement of claims (not exceeding \$500 each) for damages to or loss of private property resulting from such exercises that have accrued or may hereafter accrue, when payment thereof will be accepted by the owners of the property in full satisfaction of such damages, and each claim is substantiated by a report of a board of officers appointed by the commanding officer of the troops engaged, and is approved by the Secretary of War, whose action thereon shall be conclusive"; and the Senate agree to the same.

Amendment numbered 3: That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment, as follows: In lieu of the number named in said amendment insert "one hundred and twenty-five"; and the Senate agree to the same.

Amendment numbered 10: That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$6,352,574"; and the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$5,955,042"; and the Senate agree to the same.

Amendment numbered 12: That the House recede from its disagreement to the amendment of the Senate numbered 12, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$154,608,560"; and the Senate agree to the same.

Amendment numbered 13: That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with an amendment, as follows: In lieu of the sum proposed, insert "\$154,323,560"; and the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment, as follows: In lieu of the matter inserted by said amendment insert the following: "No payment shall be made from money appropriated in this Act to any officer on the retired list of the Army who, for himself or for others, is engaged in the selling of, contracting for the sale of, or negotiating for the sale of, to the Army or the War Department, any war materials or supplies." And the Senate agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$3,103,527"; and the Senate agree to the same.

Amendment numbered 16: That the House recede from its disagreement to the amendment of the Senate numbered 16, and agree to the same with an amendment, as follows: Restore the matter stricken out by said amendment amended to read as follows: "\$26,887,384, and, in addition, \$501,714 of the appropriation 'Pay of the Army, 1936', which shall remain available until June 30, 1937"; and the Senate agree to the same.

Amendment numbered 18: That the House recede from its disagreement to the amendment of the Senate numbered 18, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$12,675,819"; and the Senate agree to the same.

Amendment numbered 27: That the House recede from its disagreement to the amendment of the Senate numbered 27, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$1,478,323"; and the Senate agree to the same.

Amendment numbered 43: That the House recede from its disagreement to the amendment of the Senate numbered 43, and agree to the same with an amendment, as follows: In lieu of the sum proposed insert "\$916,990"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 4, 9, 20, 25, 29, 35, 42, and 45.

TILMAN B. PARKS,
THOMAS L. BLANTON,
THOS. S. McMILLAN,
J. BUELL SNYDER,
JOHN F. DOCKWEILER,
CHESTER C. BOLTON,
D. LANE POWERS,

Managers on the part of the House.

ROYAL S. COPELAND,
CARL HAYDEN,
MORRIS SHEPPARD,
ROBERT D. CAREY,
JOHN G. TOWNSEND, Jr.,

Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 11035) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1937, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

On amendment no. 1: Increases the limitation upon expenditures of nonmilitary appropriations under the Chief of Engineers for personal services in the Office of the Chief of Engineers from \$303,960, as proposed by the House, to \$323,960, as proposed by the Senate.

On amendment no. 2: Amends the House provision in re damage claims incident to field exercises with view to facilitating settlement of such claims, as proposed by the Senate, modified to provide that payments will be accepted by claimants in full satisfaction of claims.

On amendments nos. 3, 5, 6, 7, 8, 10, 11, 12, 13, and 14, relating to "Pay of the Army": Provides for the pay of 12,125 commissioned

officers, instead of 12,000, as proposed by the House, and 12,350, as proposed by the Senate; appropriates for aviation pay of officers, \$2,224,001, as proposed by the Senate, instead of \$2,186,501, as proposed by the House; applies the \$1,440 maximum for flying pay for nonpilots to "nonflying" officers, as proposed by the House, instead of to "nonrated" officers, as proposed by the Senate; provides for the pay of 165,000 enlisted men, as proposed by the Senate, instead of 150,000, as proposed by the House; appropriates \$6,352,574 for rental allowances, instead of \$6,309,574, as proposed by the House, and \$6,481,574, as proposed by the Senate; appropriates \$5,955,042 for subsistence allowances, instead of \$5,912,561, as proposed by the House, and \$6,031,511, as proposed by the Senate, and liberalizes the limitations proposed by the House against the payment of retired pay to retired officers in private employ so as to permit payment when so employed if they do not personally engage in the selling of, contracting for the sale of, or negotiating for the sale of, to the Army or the War Department, any war materials or supplies, as proposed by the Senate, omitting, however, the Senate proposal which would countenance officers on the active list accepting private employment with other than persons or concerns furnishing war materials or supplies to the Government.

On amendment no. 15: Appropriates \$3,103,527 for "Travel of the Army", instead of \$3,096,027, as proposed by the House, and \$3,126,027, as proposed by the Senate.

On amendment no. 16: Restores the reappropriation of \$501,714, proposed by the House, partly to finance the cost of subsistence, and appropriates, in addition, \$1,193,643, both in lieu of an additional appropriation of \$3,390,714, proposed by the Senate.

On amendment no. 17: Appropriates \$6,621,779 for "clothing and equipage", as proposed by the Senate, instead of \$5,759,522, as proposed by the House.

On amendment no. 18: Appropriates \$12,675,819 for "Army transportation", instead of \$12,139,083, as proposed by the House, and \$12,825,819, as proposed by the Senate.

On amendment no. 19: Appropriates \$13,039,668 for "Barracks and quarters and other buildings and utilities", as proposed by the Senate, instead of \$12,139,668, as proposed by the House.

On amendment no. 21: Appropriates \$5,301,806 for "Signal Service of the Army", as proposed by the Senate, instead of \$5,282,556, as proposed by the House.

On amendments nos. 22, 23, and 24, relating to the Air Corps: Strikes out, as proposed by the Senate, the House provision making the appropriation available for the procurement of radio and armament for the 58 additional airplanes the House provided for beyond the number provided for in the Budget; provides, as proposed by the House, that Crissy Field may not be operated as an air station after June 30, 1936, instead of allowing the station to be continued without further expenditure upon structural improvements or installations not of a removal character, as proposed by the Senate, and restores the House provision designed gradually to do away with lighter-than-air activities apart from balloons.

On amendments nos. 26 and 27, relating to "Medical and Hospital Department": Provides for the care of supernumerary patients, in Army hospitals, as proposed by the House, and appropriates \$1,478,323, instead of \$1,465,198, as proposed by the House, and \$1,491,448, as proposed by the Senate.

On amendment no. 28: Appropriates \$536,427 for "Engineer Service, Army", as proposed by the Senate, instead of \$518,427, as proposed by the House.

On amendment no. 30: Appropriates \$1,483,608 for Chemical Warfare Service, as proposed by the Senate, instead of \$1,467,297, as proposed by the House.

On amendments nos. 31 to 34, both inclusive, relating to sea-coast defenses: Appropriates \$8,518,994, as proposed by the House, instead of \$1,793,994, as proposed by the Senate, and restores the distribution of such total sum exactly in the manner proposed by the House.

On amendment no. 36: Provides that expenses incident to the performance of duty by personnel of the National Guard and Organized Reserves in the care, maintenance, and operation of the ranges used in the conduct of the national matches shall be borne by the appropriation, "Promotion of rifle practice", as proposed by the Senate.

On amendment no. 37: Appropriates \$8,574,195 for the Organized Reserves, as proposed by the Senate, instead of \$8,474,195, as proposed by the House.

On amendment nos. 38 and 39, relating to Reserve Officers' Training Corps: Appropriates \$4,585,846, as proposed by the Senate, instead of \$4,067,996, as proposed by the House, the increase of \$517,850 being for the establishment of 51 additional R. O. T. C. units, and provides for the reestablishment of Medical Corps units after the current fiscal year, as proposed by the Senate.

On amendment no. 40: Appropriates \$2,275,000 for citizens' military training camps, as proposed by the Senate, instead of \$2,000,000, as proposed by the House.

On amendment no. 41: Appropriates \$545,726 for the promotion of rifle practice, as proposed by the House, instead of \$645,726, as proposed by the Senate.

On amendment no. 43: Appropriates \$916,990 for cemeterial expenses, instead of \$814,990, as proposed by the House, and \$987,990, as proposed by the Senate.

On amendment no. 44: Strikes out the appropriations proposed by the Senate, totaling \$8,000,000, for continuing work on the

Sardis Reservoir, Miss.; the Conchas Reservoir, N. Mex.; and the Bluestone Reservoir, W. Va.

On amendment no. 46: Appropriates \$130,000, as proposed by the Senate, incident to flood-control work in progress at or near the town of Niobrara, Nebr.

On amendment no. 47: Requires reports of post exchange operations to be certified by commanding officers that the operations were conducted according to law, as proposed by the Senate.

On amendment no. 48: Strikes out, as proposed by the Senate, the House provision limiting to 10-percent profits upon contracts or subcontracts in excess of \$10,000 for the construction and/or manufacture of any complete aircraft or ordnance material, or any portion thereof.

DISAGREEMENTS

The committee of conference have not agreed upon the following amendments of the Senate:

On nos. 4 and 9: Relating to "Pay of the Army."

On no. 20: Relating to the acquisition of land in the vicinity of West Point, N. Y.

On no. 25: Relating to the conveyance of certain land to the city of Little Rock, Ark.

On no. 29: Relating to the appropriation "Ordnance service and supplies, Army."

On no. 35: Relating to personnel of the National Guard and Organized Reserves participating without pay as competitors or range officers in the national matches to be held during the fiscal year 1937.

On no. 42: Relating to the appropriation "Cemeterial expenses."

On no. 45: Relating to the appropriation for rivers and harbors.

TILMAN B. PARKS,
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D. LANE POWERS,

Managers on the part of the House.

Mr. PARKS. Mr. Speaker, because of the figures that are carried in this report, and because I do not want to trust to my memory to give the exact figures, I have prepared a short memorandum; and if the Members will give me their attention for a few minutes I will tell them exactly what this conference report carries.

Mr. Speaker, if this report be adopted and the House should agree to the motions I shall make with respect to the amendments reported in disagreement—and these motions, I might say, will comply with the understanding we had with the Senate conferees—the bill will carry a total of \$572,446,844, which is \$252,461 less than the sum recommended in the Budget.

For purely military objects the bill will carry \$383,104,859, which exceeds the Budget recommendations by \$8,079,349; and for nonmilitary objects the appropriations will aggregate \$189,341,985, or \$8,331,810 below the Budget estimates.

As to the military increase, \$1,840,823 was in the bill as it left the House, all owing to a floor amendment. The additional amount of \$6,238,526 is in consequence of Senate amendments and the action of the conference committee. It is distributed as follows:

| | |
|--|-----------|
| 50 additional officers to be commissioned in the Air Corps and 50 additional medical officers and 25 additional dental officers..... | \$355,481 |
| 165,000 enlisted men, or 14,127 in excess of the number provided by the House..... | 3,495,595 |
| Motor-vehicle repairs (total availability, \$1,186,500)..... | 150,000 |
| Repairs to barracks and quarters (total availability, \$1,764,087)..... | 500,000 |
| Purchase of land, West Point..... | 431,000 |
| Modernizing 75-millimeter guns, including restoration of \$7,500 added by House for increasing salaries of employees at Charleston (S. C.) Ordnance Depot..... | 413,600 |
| Organized Reserves, to give additional number of Reserve officers active-duty training..... | 100,000 |
| R. O. T. C., for the establishment of 51 additional units..... | 517,850 |
| C. M. T. C., to insure that there will be not less than 30,000 trainees..... | 275,000 |

These items total..... 6,238,526

Under the nonmilitary head the bill as it left the House was \$29,313,810 below the Budget estimates. In the action we are submitting to you for approval that amount is reduced to \$8,331,810, the restored amount of \$20,982,000 being distributed as follows:

| | |
|---|-----------|
| Land for enlargement of a national cemetery..... | \$100,000 |
| Additional employee in connection with cemeterial activities..... | 2,000 |

| | |
|---|--------------|
| Rivers and harbors and flood-control projects..... | \$20,750,000 |
| Flood-control work on the Missouri River near Niobrara, Nebr..... | 130,000 |
| Total..... | 20,982,000 |

This gives a rather general picture of the matter.

Mr. Speaker, I yield 15 minutes to the gentleman from Texas [Mr. McFARLANE].

Mr. McFARLANE. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein certain charts.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. McFARLANE. Mr. Speaker, at this time I want to discuss a feature of the War Department bill I feel is of very great importance. I refer to the 10-percent profits limitation amendment unanimously adopted by the House when the bill was before us on February 14. You will remember I offered the amendment and it was agreed to unanimously. The Senate has taken out that amendment and the conference committee has left it out. I have before me the hearings of the Senate Subcommittee on War Department Appropriations, and it is very evident that this amendment was taken out of the bill on a clear misapprehension of fact on deliberate statements made perhaps in the belief they were correct, but I challenge those statements, based on information I have. I believe I can show the Members of the House wherein those statements made to the Senate committee are grossly in error.

I want briefly to touch on the argument made as to why we should not have a 10-percent limitation amendment, but before doing so, I want to again give you a little history of the battle we have made to try to limit these enormous profits the different investigating committees over the last several years have disclosed were being made by various concerns. Any Member here who has looked into the matter knows the enormous profits that have been made, not only in the manufacture of munitions, but also in aircraft. These enormous profits have been revealed. I would be glad to have the Members of the House read the hearings of our naval aircraft investigation filed in the records of April 1934.

Mr. DOCKWEILER. Mr. Speaker, will the gentleman yield?

Mr. McFARLANE. I am sorry, but I cannot yield until after I make this preliminary statement.

You will remember the disclosures made by Senator BLACK's committee investigating ocean- and air-mail contracts day after day. They showed, for instance, that Pratt-Whitney started out with a borrowed monkey wrench in a garage, so to speak, and, overnight, their stock went up to 97 on the boards, and in less than 2 years they had made many millions of dollars' profit, principally from Government contracts. Similar records have been made by other aircraft concerns, especially the ones which were fortunate enough to secure Government contracts. Going down the line on the proposition here day after day, these disclosures were again made by Senator NYE's munitions investigating committee; and I want briefly to refer, as the basis of my information—and I wish I had time to read them to you—to hearings of both the House Naval and Military Affairs Committees in 1934 investigating aircraft procurement by these Departments. I have these hearings before me and I refer you to these records, showing the enormous profits that have been made by these different concerns, not only in naval but in Army purchases of these different aircraft supplies. They were exorbitant.

TOBEY AMENDMENT

Bearing in mind what I have said, you will recall that the gentleman from New Hampshire [Mr. TOBEY] in 1934 offered an amendment to the Vinson-Trammell Ship Authorization Act limiting profits on ship and aircraft construction for the Navy to 10 percent. That amendment was unanimously approved by the House. The mechanics for carrying it into effect were written into that bill, and the bill became law in March of 1934. It contains complete provisions as to how

the 10-percent limitation was to be carried out and has been carried out. With that as a basis it is nothing but right, fair, and proper that, since profit on aircraft purchases of the Navy and ship construction of the Navy is limited to 10 percent, the same rule should apply to similar purchases for the Army.

The House adopted an amendment to this bill limiting profits to 10 percent. General Craig and Mr. Woodring in their statements raised five objections as to why they thought this should not be carried out. They offer no substantial proof other than their unsupported statements to back up their contention as to why these profits should not be limited by the inclusion of this amendment in the bill. I refer you to my speech of April 30 on this subject, which I believe fully answers the contentions raised by both of them. The Government records show the enormous profits these different concerns have made on sales to the Government. It is true they have changed their system of bookkeeping to show a diversion of profits. They have resorted to many frauds on the Government to hide their profits; for example, these recent investigations have shown that they make large enlargements and improvements of plant facilities and charge that as part of their overhead to cut down the amount of profits being made and thus beating the tax laws.

They are not showing profits as large as before we began these investigations, but they are making the profits just the same, and the best evidence of that is whenever any of these concerns get a Government contract, just watch the stock-market board and see how the stock of those concerns begins to jump.

When our committee was investigating the enormous profits these different concerns that were selling to the Navy were making, there was clearly brought out the totally inadequate system which was in vogue in both the Navy and War Departments in connection with checking the overhead cost, and we have not improved this system.

Mr. KVALE. Will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from Minnesota.

Mr. KVALE. As a result of those investigations, however, the gentleman will admit there has been a salutary effect and that the system of audits and the system of checks upon these organizations, their financial affairs, and costs has been materially improved.

Mr. McFARLANE. I would say just the contrary, and I will read Mr. Woodring's statement and make just a few remarks in that regard which will show that the system has not been improved.

This is what Mr. Woodring said on page 22 of the War Department hearings about aircraft procurement. It is true that the committee did investigate this matter and made certain recommendations in an endeavor to get honest competition in these Departments, but we have not got it yet. Here is what happened: The law that the Congress passed in 1926 provides for a very definite system of procurement. Let me call your attention to that Procurement Act and how these Departments have strayed away from it and have willfully and maliciously violated the law and are doing so at the present time.

I inserted in my remarks on March 23 a copy of the Aircraft Act of 1926, section 10, showing just exactly what the law provides as to aircraft procurement. Briefly the law states that if we want to buy experimental planes there shall be a negotiated contract with reference to how these planes shall be purchased. That is contained under section 10 of the Aircraft Act. Whenever aircraft is bought in quantities, section 10 (a) and 10 (e) provides that advertisements shall be inserted in the various trade journals so that everybody may bid and where honest competition open to the whole world may be had in connection with the purchase in quantities of aircraft under the Aircraft Act.

I placed in the Record not once, but several times the Comptroller's records concerning these official Government contracts as construed by the legal department of the Comptroller's office, which shows that more than 90 percent of

the aircraft purchased from 1926 to 1934, at which time these investigations were held, was bought in violation of the law.

Mr. Woodring's statement is to the effect that he has worked out a system since these investigations were had and since he has learned that the law has been violated.

Mr. Woodring says:

In looking up the law some 2 years ago I found that we were not carrying out the law, the Defense Aircraft Act of 1926, in the method in which we were procuring our aircraft, and as you know—you have heard a lot about it—we changed from a negotiated contract to a competitive bidding basis, which, I think, conscientious opinion holds is according to law.

Mr. KVALE. Will the gentleman yield? The gentleman will grant that investigation was held 2 years ago.

Mr. McFARLANE. Yes; but this testimony was given before the committee last month when the bill was up for consideration.

I want to read this provision so that the House may get the matter clearly before it. This is the kind of competition that Mr. Woodring said is competition, and this is the kind of procurement that we have in the War Department today. Let me read his own words:

For instance, we will send out invitations for bombers for delivery in 10 or 12 months, and probably three different concerns scattered well over the United States to bid on bombers. Certainly under that kind of system the companies are going, with their engineering and designing and researching departments, are going to try and build, develop and build, and deliver on the line the finest bomber in order to win the competition and therefore get the business.

The bidder is required to submit with his bid a completed airplane on the line for test, as he submits his bid, and these airplanes are thoroughly tested and contracts awarded to the manufacturer who has produced the finest performing airplane, after we have evaluated all the planes in competition.

So, instead of having proper competition as provided by the Aircraft Act, and instead of having free open competition according to the law, what happens? They send out a circular letter to a few firms for bids, and only to the ones they want to send this notice to. Then they buy an airplane on the line. That is what Mr. Woodring says they are doing; and, having done that, how can we say they are having honest competition which is open to the world?

Mr. KVALE. Will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from Minnesota.

Mr. KVALE. The gentleman is not correctly informing the House. I know that, with his conscientious zeal and his interest in this question, he would not want to misinform the House.

Mr. McFARLANE. I am taking Mr. Woodring's own statement; and if the gentleman will tell me where I have not informed the House correctly, I would like to have him do so.

Mr. KVALE. The specifications are not limited, and the announcements are not sent to only a restricted group in the industry. They are sent to all who may be interested in these announcements. I happen to know that to be the fact, because I have looked into this matter very carefully. As a matter of fact I sat upon the subcommittee and helped to conduct these hearings which developed the facts to which the gentleman refers. The gentleman knows this to be a fact.

Mr. McFARLANE. In answer to the gentleman I may say that I read Mr. Woodring's own statement before a Senate committee last month, and I will read in a minute about a recent purchase made supposedly under an experimental contract, but in fact a production contract made in clear violation of the law. Twenty airplanes were purchased from the Douglas Aircraft Corporation at \$49,500 apiece for the skeleton plane without the engine, and so forth, which was the highest bid when, as a matter of fact, three other concerns bid around \$29,000 apiece for them, or \$20,000 less than the Douglas Corporation, from whom the planes were bought. These concerns stated that their bids were based on the Government requirement, and the bids were \$20,000 cheaper than the bid of the Douglas company, but the Douglas company got the contract. That is under Mr. Woodring's system

of competition. Thus, we find the War Department on this contract for 20 airplanes purchased under Mr. Woodring's revised aircraft system of purchasing that without any proper system of checking values he purchased these planes from the Douglas company, the highest bidder, although three other companies bid on this same contract, and their bids were from \$20,000 to \$30,000 per skeleton plane lower than that of the Douglas company, and according to the Comptroller's Office the bids of these three other concerns, all of them more than met the minimum requirements which the specifications set out. Thus, we find the Government on this contract alone paid more than \$500,000 more than they could have bought similar equipment for, which more than met the Government's requirements.

Mr. RICH. Will the gentleman yield?

Mr. McFARLANE. I yield to the gentleman from Pennsylvania.

Mr. RICH. As I understood Mr. Woodring's statement as recently made, it was to the effect he now favors competition between manufacturers which should get the lowest price if there is good competition.

Mr. McFARLANE. Mr. Woodring's statements made regarding the system of procurement of aircraft he has worked out, which he knows is contrary to the Aircraft Act, does not give us full, open competition as required by law. That is what I was complaining about.

Mr. RICH. Then, if in the future we demand that they publish this to the world and have them bid on certain specifications, then we ought to get the rock-bottom price on the equipment necessary in respect of airplanes and various other Government purchases.

[Here the gavel fell.]

Mr. PARKS. Mr. Speaker, I yield the gentleman 5 additional minutes.

Mr. WILCOX. Mr. Speaker, will the gentleman yield?

Mr. McFARLANE. In just a moment. I want to make this statement first:

In further answer to the questions raised I have here recent official opinions from the Comptroller General's office showing that this is the way the War Department is making these purchases today. They are not making them through competition as required by law, and the Comptroller General's office holds they are not following the law today as the law is written. The Comptroller General's office finds they are not only violating the law in aircraft procurement today, as they have been ever since the act was written, but they are doing it with respect to all the different accessories required. For instance, we are paying around \$3 apiece for spark plugs, when the Department, by competition, could buy them for less than half of that amount, and buy the same kind and character of spark plugs. The same thing is true of other things in proportion.

Mr. Speaker, this runs into much money. It runs into a tremendous amount of money, and yet we have the Department coming before the committees of the Congress asking to be allowed to continue this racket of buying their equipment in open violation of the law without competition, and also asking to be allowed to continue their same old procedure.

Mr. CARTER. Mr. Speaker, will the gentleman yield?

Mr. McFARLANE. I will yield for a short question.

Mr. CARTER. The gentleman's statement was that these articles are being bought in open violation of the law?

Mr. McFARLANE. Yes; they are.

Mr. CARTER. How does it happen that the Comptroller General's Office allows them to pay for them?

Mr. McFARLANE. That is just the point and that is the whole racket, and I am pleased that the gentleman has raised that point. The prime purpose of the Aircraft Act of 1926 was to take away from the Comptroller General the exclusive right to say whether or not the law had been complied with, and to place in the hands of the War and Navy Departments the right to say whether the law had been complied with, and we have had trouble over there ever since. The very minute they passed the Aircraft Act of 1926 they took away

MAY 6, 1936.

from the Comptroller General's office the right to say whether the law had been followed and left that right with the Secretary of War and the Secretary of the Navy and they allow their underlings to construe the law just about as they please. They set up a system of procurement just about as they please, as Mr. Woodring has done, and as the records will show, the system in effect since 1926 has caused the few big companies to get nearly all the business, and we would never know what they were doing if they were not required to file these contracts with the Comptroller General's office after they have made their purchases. I think this answers the gentleman.

Mr. Speaker, I may say further that a careful check of the records down there shows they are not following the law in their aircraft procurement. A careful check of the records shows it is costing the Government millions of dollars because they are not following the law.

This 10-percent profits limitation law has worked fairly satisfactorily for the Navy. There have not been any of the objections that Mr. Woodring and General Craig have raised, based on the 10-percent profits limitation plan as it has been carried out by the Navy Department.

Mr. MAAS. Mr. Speaker, will the gentleman yield?

Mr. McFARLANE. I yield for a question.

Mr. MAAS. The gentleman states that the plan has worked very satisfactorily for the Navy. This is not the testimony before our committee, as the gentleman well knows, because he is a member of the Naval Affairs Committee.

Mr. McFARLANE. In answer to the gentleman, I may say I have asked the Treasury Department about it and I also talked with the Navy Department. It is true they had an amendment they wanted adopted to take the scientific-instrument people out from under the method. They had amendments which practically nullified the law. The House, by exactly eight votes, passed that bill, but it is still pending in the Senate. We thought we had an agreement whereby the House would agree to accept the same provision for the War Department that now applies to the Navy Department, but the Senate conferees would not agree to that proposition, as I understand it.

Mr. MAAS. But the gentleman stated that the Navy Department says that this has worked satisfactorily. The Navy Department has not said that.

Mr. McFARLANE. I say that the Navy Department said this. Admiral King is against the bill and he is against any kind of limitations, as I understood his testimony before our committee. The gentleman from Minnesota will recall the testimony before our committee in regard to scientific instruments, and all that sort of thing.

Mr. MAAS. Yes.

Mr. McFARLANE. And the testimony of the Treasury Department. My interpretation of that testimony is just as I have given it and the record will speak for itself.

Mr. MAAS. I think the gentleman is mistaken about that.

Mr. McFARLANE. I know I am not mistaken about it, and the records will bear out my statements. I decline to yield any further. The gentleman can get some time and argue that matter himself.

HOW WOODRING'S SYSTEM ROBS THE GOVERNMENT AND FAVORS THE AIR TRUST

Under permission given to revise and extend my remarks, I desire to answer some of the many statements of fact advanced during the debate on this question while the conference report was pending before the House.

The reason advanced as to why the War Department purchased these 20 airplanes from the Douglas Co. was that their saving in gasoline alone would amount to \$12,000 per year.

I immediately sent the following telegram to the Bellanca Aircraft Co. and the Fairchild Aircraft Corporation, who were bidders on this same contract, both of whose bids were more than \$20,000 per skeleton plane less than the bid by the Douglas Co.:

BELLANCA AIRCRAFT CO.,
Newcastle, Del.:

Re War Department's circular proposal no. 35-29, dated August 24, 1934, under which Douglas received a contract for 20 airplanes at \$49,500 each. Statement made on floor today in defending this contract that these planes would save more than \$12,000 in gasoline during life of plane over any competing plane. Your bid over \$20,000 lower. Please wire facts regarding this matter, adding any facts you wish known. Do you consider the War and Navy Departments' present system for aircraft procurement in strict compliance with the Aircraft Act of 1926? Please wire today.

W. D. McFARLANE, M. C.

And to this telegram the Bellanca Aircraft Corporation replied:

NEWCASTLE, DEL., May 7, 1936.

Hon. W. D. McFARLANE,
Member of Congress.

Re tel. on order for 20 Bellancas, Government would have saved \$850,000 on planes and additional \$373,000 in gasoline making a total saving of \$1,223,000. Had Air Corps expended same amount for Bellancas as for 20 Douglas would have secured 40 Bellanca cargo planes flying 6,000,000 more miles and carrying 51,700,000 more pounds over 300-mile trips. Bellanca transport cargo airplanes safest in world; not a single fatality in millions miles operations. Fourteen Bellanca cargo ships were used by Air Corps in carrying air mail in January 1934, with best results. Detailed letter follows special delivery.

BELLANCA AIRCRAFT CORPORATION.

The Fairchild Aircraft Corporation replied as follows:

HAGERSTOWN, MD., May 7, 1936.

Hon. W. D. McFARLANE,
House of Representatives, Washington, D. C.:

Re tel. under circular proposal 35# 29 specifications show Fairchild cargo plane will fly 650 miles with 220 gallons fuel, or 2.95 miles per gallon carrying 3,783 pounds cargo at 130 miles per hour. Under same proposal Douglas offered to fly 1,130 miles with 497 gallons fuel, or 2.27 miles per gallon, carrying only 2,400 pounds load at 133 miles per hour. For 650 miles Douglas could reduce fuel load and increase cargo load to 3,666 pounds, or nearly same as Fairchild cargo load. The important factor to consider is for same distance at about same speed, carrying approximately same cargo load; Fairchild planes get 2.95 miles per gallon compared with the Douglas 2.27 miles per gallon. Taking average use of 130,000 miles per year, Douglas uses 13,200 gallons more fuel per year, or at 12 cents per gallon, Douglas cost \$1,582 more per plane per year for fuel. In addition to fuel cost Douglas has double maintenance cost on engines because two of same engines used compared to one in Fairchild cargo. Using standard air line cost a commercial operator running 130,000 miles per year, would figure Douglas to cost \$12,000 more per year than Fairchild cargo plane, both planes doing about the same job. Douglas is finest fast passenger transport. Fairchild is a cargo plane developed specifically for economical cargo transport. Believe Douglas price your wire should be \$61,775. Not sufficiently familiar aircraft act to comment, but believe procurement satisfactory. Representative of company in Washington will call upon you Friday to give any further data you deem necessary.

FAIRCHILD AIRCRAFT CORPORATION.

In addition to the telegram above quoted, the Bellanca Aircraft Corporation replied as follows:

MAY 7, 1936.

Hon. W. D. McFARLANE, M. C.,
House of Representatives, Washington, D. C.

DEAR SIR: Regarding your telegram sent to us yesterday, the facts are as follows:

The Douglas airplane, instead of saving \$12,000 in gasoline during the life of each airplane over any competing planes, is consuming \$18,600 worth more gasoline than the Bellanca Cargo Air Cruiser after due allowance is made in favor of the Douglas for higher cruising speed. The Government might have decided in favor of the Douglas for its higher speed or because of the twin-engined feature.

As for higher speed, this type of plane is essentially a carrier and not a fighting plane, and consequently efficiency and economy are primarily important. As for the twin-engined feature, our Bellanca Cargo Air Cruiser is unsurpassed for safety, because during the whole existence of this type of airplane since 1930 not a single life has been lost. Fourteen planes of this type were used by the Air Corps for carrying the air mail at the time the Army was assigned this task in January-February 1934, and they carried the biggest loads of all, and their operation was so successful that the name of this plane was not mentioned in adverse newspaper comment a single time.

The price of the Douglas of \$49,500 was without motors, propellers, instruments, etc. The price of the Bellanca, leaving the same Government-furnished equipment off, was \$24,200. Adding this cost, plus the 20-percent spare parts, the cost to the Government for the Douglas was \$86,000 and the Bellanca \$43,500, a difference per plane of approximately \$42,500, and a total difference for the 20 planes of \$850,000. Adding to that the total saving for gasoline of \$373,000, by purchasing Bellancas the Government would have

saved a total of \$1,223,000, without considering the replacement of power plants, higher handling costs, etc.

The Douglas is a more elegant looking plane, but against that it cannot land in the small or muddy fields like the Bellanca can, the Douglas being suited to land primarily at airports. A feature that is of greatest importance is the fact that the Douglas cannot be converted to skis or floats as readily and as successfully as the Bellanca cargo plane, which is another point of still higher importance for operation in the north or in Alaska.

For the money expended for 20 Douglasses the Air Corps could have secured 40 Bellanca cargo air cruisers, which would have gone 6,000,000 more miles on an expected life of 3,000 hours for each airplane than the Douglasses. Since two Bellancas could have been purchased for each Douglas, and these two Bellanca cargo airplanes would have carried 6,070 pounds total against one Douglas carrying 3,485 pounds, this represents an increased pay load of 74.3 percent in favor of Bellanca equipment for the same expenditure. This also means that in those 6,000,000 additional miles mentioned above, in trips of 300 miles distance, the Bellanca airplanes would have carried approximately 51,700,000 pounds more than the Douglasses. As for the latter part of your wire relative to present methods of Army and Navy procurement, we regret that we do not feel in a position to make comment at the present time.

Very truly yours,

BELLANCA AIRCRAFT CORPORATION,
G. M. BELLANCA, President.

Thus we see that from this contract alone, according to the Bellanca Aircraft Corporation, the Government would have saved a total of \$1,223,000 over the price paid the highest bidder, the Douglas Aircraft Corporation, without considering other many advantages the Government would have received had they purchased the Bellanca plane and, you will note, according to the Fairchild Aircraft Corporation telegram, far surpasses in gasoline mileage and other material comparisons the performance requirements required for a plane cargo of the kind and character being purchased.

SYSTEM OF PROCUREMENT NEEDED

I recommend that the present Aircraft Act be amended so that our system of procurement for future aircraft be made along the lines followed in several European countries. For example, offer substantial prizes, as first, second, and third prizes, after full publicity is given in the newspapers so that all may compete, the prizes to be substantial and the agreement for thus competing to require that the winning plane in the competition shall belong to the Government, including all patent license and manufacturing rights; the published specifications to carry further the full terms of the competition and the mode and manner under which the judging and examination of the planes is to be made. Only the fundamental requirements of planes of the kind and character needed should be the entire basis for judging in the selection in competition. This system of selection of all aircraft would largely eliminate the many unfair practices that have been shown to have existed in our present system of procurement ever since our present Aircraft Act of 1926 has been in effect.

TAX EVASION UNDER THE SENATE TAX BILL

I desire to state my views on several of the different amendments added to the tax bill now pending.

It is obvious to anyone who has read the proceedings of this session and the last session of Congress that I am fully in accord with the tax program which President Roosevelt submitted to Congress in his message of March 3, 1936, and which is the foundation of the tax bill now under consideration. The real reason for the tax program as outlined by the President is that huge surpluses are being accumulated by corporations owned by citizens with large incomes in order to escape the surtaxes which should be paid on these surpluses. On several occasions during the last session I called attention to this loophole in our present law whereby the special-privilege interests of this country are evading the tax law. In an attempt to secure a correction of the situation, I addressed this House and urged that the law be changed so that the large amounts of undistributed corporation profits would be taxed to the stockholders as they should be. This same proposal was submitted to the Ways and Means Committee of this House when I appeared before that body on July 13, 1935. On August 17, 1935, while the revenue bill of 1935 was still under consideration, I appeared before the Senate Finance Committee and again

repeated my contention that the tax law should be amended to tax stockholders upon the undistributed profits which they allow to remain in the corporation free from the proper tax. In view of these unsuccessful attempts on my part to secure a change in the law during the last session, I was greatly pleased when on March 3 of this year the President called attention to this same loophole in the tax law and took the position that it should be stopped.

But, Mr. Speaker, the efforts of the Members of this House to design a tax bill which will eliminate some of the present opportunities for tax evasion have, it seems to me, come to naught, if we accept the changes which the Senate has made. As I see it, the bill as passed by the Senate does not stop the loophole pointed out by the President. More than this, the Senate has written into the bill a number of new loopholes which will enable the wealthy and special-privilege interests to escape the tax. Mr. Speaker, I object to this sort of thing. We set out to plug up the loopholes—not to create new ones. Consequently, I propose at this time to frankly and briefly outline the different new ways for tax escape which the Senate has written into the bill, with the hope that this House will put itself on record as opposed to the new methods of tax evasion.

Exemption for holding companies: During the past few years we have become very familiar with the tactics of the financial wizards who induce small investors to buy stock in holding companies and thus finance the activities of these men in their efforts to control a vast empire of operating corporations. Obviously the income received by the holding companies formed and controlled by industrial racketeers is represented by the dividends which they receive from the operating companies. Despite the efforts of this administration to protect the people from the holding-company racket, the Senate bill would give such companies preferred and kind treatment for tax purposes. Section 26 (b) of the Senate bill allows the holding companies to receive 90 percent of its dividend income free from tax; the other 10 percent will obviously be used to pay high salaries to corporate officials and to pay other so-called expenses; and, hence, the holding company will be entirely free from tax.

INVESTMENT TRUSTS

When the holding companies became involved in difficulties and the little investors throughout the country became less enthusiastic about such companies the men of finance and stock-market speculation organized what they called investment trusts to serve somewhat the same purpose as the holding companies. By these trusts the promoters of such enterprises used the little fellow's money to buy stock and control corporations, or rig the stock market. Few, if any, of these organizations should be permitted to operate, but since they do exist they should pay taxes. However, they will not do so if the Senate amendment is adopted by this House. The exemption given in section 13 (a) (3) of the Senate bill, plus the credit allowed under section 27, will give these organizations complete exemption. The only qualification upon the exemption is not that there be fewer such organizations but that the number be increased.

BANKS

Despite the fact that the banks of this country were saved from destruction in 1933 and continue to make profits by lending other people's money, the Senate has been very kind to the banks by inserting a provision to exempt them from the new tax on undistributed profits. In order to make doubly certain that the banks would be exempt, two provisions to that effect were put into the bill. See section 14 (c) (1) and section 26 (d) of the Senate bill.

TRUSTS OPERATED BY BANKS

Section 169 of the Senate bill also gives the bankers a further exemption. With respect to this the Senate committee report states:

The Finance Committee has adopted an amendment which will permit banks and trust companies qualifying under the section to operate common trust funds free of tax as corporations.

By common trust funds the committee explains that it means the activities of the banks "where the funds of many

individual trusts are mingled." To put it in plain English, the type of operation which the Senate proposes to exempt from tax is one where a bank has trust funds belonging to others and does not keep them segregated, but proceeds to mix them up in the manner most suitable for the purposes of the bank. This type of operation, which should not be permitted, is so highly approved by the Senate that it proposes to exempt the operations from tax.

USE OF BANKRUPTCY LAWS TO EVADE TAX

In the past we have heard of how a corporation may voluntarily go into bankruptcy in order to beat its creditors. The latest development appearing in the Senate bill is to allow the corporation to evade tax by voluntarily filing a petition in bankruptcy. If the petition is on file for a few days in any year, the corporation may escape a full year's tax. See section 14 (c) (2) of the Senate bill. If the company is a railroad corporation, it may organize a holding company, which can file a petition in bankruptcy and thereby exempt the railroad company. See sec. 141 (j). That is what you may call obtaining tax exemption by proxy.

ACCUMULATION OF SURPLUS (SEC. 102)

Throughout the consideration of this tax bill it has been the purpose of this House to prevent improper accumulation of surplus by corporations which do so to enable the stockholders to escape surtax. The present law is inadequate in this respect. It should be amended to collect a tax on such improper accumulation. The Senate has amended section 102 so that in lieu of requiring a tax to be paid upon such improper accumulation, the corporation will merely file a statement showing how it uses its funds. In other words, the old provision as written during the Mellon regime is retained with a ridiculous provision that will help to collect nothing but statements.

LIQUIDATION OF CORPORATIONS

Under our tax law if an individual paid \$100 for a share of stock in a corporation and he received \$150 upon the liquidation of the corporation, he would be taxed upon \$50. The Senate bill retains this tax upon the individual but provides that if a corporation receives such a profit it shall be exempt. See section 112 (b) (6) of the Senate bill. Here, again, the big corporation is given an advantage by way of a provision which distinctly discriminates against individuals occupying exactly the same position.

CORPORATE REORGANIZATIONS

Some time ago I introduced a bill designed to repeal the so-called reorganization provisions of the tax law. The repeal of these provisions was recommended by a subcommittee of this House which investigated the tax-evasion methods used in connection with so-called reorganizations of corporations. These provisions originated in the Mellon tax plan of 1924, which became a law in that year, and which has served more than other things to make a farce out of our income-tax law. The Senate proposes to make the road for tax evasion easier in connection with these transactions. The amendment of the definition of control in section 112 (h) does the trick. This amendment is clearly contrary to the position which we have taken throughout the present administration. Its only purpose is to make tax evasion easier, when the object of this bill is to minimize tax evasion.

BIG REWARD FOR TAX LOBBYISTS

Section 802 of the Senate bill is the type of legislation which best fills the pockets of the tax lobbyist. It requires the Government to refund taxes which the Government has properly and lawfully collected. Obviously when the parties concerned get this unexpected refund they will be surprised and well pleased, all of which helps the lobbyist to collect a big fee. This unexpected refund of taxes is of course reserved for the benefit of a few individuals who have realized profits upon the type of transactions described in this section.

JEWELRY TAX REPEALED

The present law imposes a 10-percent tax upon sales of jewelry amounting to more than \$3. Section 813 of the

Senate bill proposes a repeal of this tax. It is not necessary for me to elaborate upon this exemption. Only those of wealth can afford to buy expensive jewelry. They are the ones benefited.

TAX ON FURS

Those with wealth also will benefit under the Senate proposal to reduce the tax on furs from 10 percent to 3 percent. See section 814 of the Senate bill.

ESTATE TAX

One of the methods by which the wealthy escape a portion of the estate tax is by way of insurance trusts created during the lifetime of the decedent. Instead of stopping this loophole, as it should be, the Senate bill proposes to open it wider. See section 801 of the Senate bill. If this provision of the bill becomes a law, it will no longer be necessary to set up an insurance trust. The law can be evaded simply by the insured notifying the insurance company that he wishes to evade the tax. If this proposal becomes a law over my protest, there is no question but that the insurance companies will reap a good harvest selling tax-exempt policies.

LIQUOR INTERESTS GET WHAT THEY WANT

The tax on liquor has been very effective, so effective in fact that the liquor interests now propose to wreck it. Obviously they do not openly ask for a repeal of this tax. That is unnecessary, for they have concocted a scheme which will do substantially the same thing. The trick is to change the law so that the tax will be collected from the retailer instead of the distiller. At the present time the tax is collected from the distiller. There are comparatively few distillers, and their accounts can easily be checked by the Government. The change proposed by the Senate would exempt the distiller and require the Government to collect the tax from the thousands of retailers, barrooms, cafes, restaurants, roadside inns, and other similar places throughout the country. Clearly, the Government cannot keep watch over all these places and collect the proper tax. It could not do so even if it employed a huge army of investigators and revenue agents. Hence, the result of the Senate proposal is to exempt the distiller and to allow the barrooms, cafes, restaurants, and other places to pay whatever tax they wish, which, we may be sure, will be very little. In any event, whatever tax is collected will probably not greatly exceed the cost of maintaining the revenue agents necessary to collect it.

THE BOARD OF TAX APPEALS

The Board of Tax Appeals was first created in 1924 during the Mellon regime, and as I here pointed out on February 18, 11 of the 16 members of the present Board are men appointed at the recommendation of Mellon. The Board of Tax Appeals has been one of the most potent factors in causing this country to have more tax litigation than any other country in the world. Its decisions have so complicated the income-tax law that few know what it means. In addition this Board is the device which keeps the big boys from having to pay. Instead of paying they appeal to the Board. The Senate bill proposes to extend the functions of the Board to give it jurisdiction over all excise taxes. See section 815 of the Senate bill. The change proposed by the Senate would give this Mellon board power over the remainder of the tax field.

ALVORD, THE TAX LOBBYIST

One of the tax lobbyists whose name appears in the hearings before the congressional committees is a man by the name of Alvord, purporting to represent the United States Chamber of Commerce and to be on the tax lobby committee of that organization, along with Lamot Du Pont, one of the famous Du Ponts (pp. 252-253, hearings of Finance Committee). Beginning on July 15, 1926, this man Alvord was special assistant to the Secretary of the Treasury, Andrew W. Mellon, and was in charge of handling tax legislative matters during the Mellon regime. For 3 years prior to his appointment to this position Alvord was assistant legislative counsel for the House of Representatives, which enacted the Mellon tax bills. The record shows that during the past few months Alvord has been very active in presenting his ideas

regarding tax exemptions to the committees. There is little doubt as to what he wants. The memorandum which he filed with the committee very specifically lists each item (see pp. 283-293, hearings of Finance Committee). This memorandum should be read by every Member of this House in order fully to appreciate the number of instances in which the Mellon-Du Pont-Alvord ideas are reflected in the Senate amendments. And when you read the Alvord memorandum remember that the farmers, merchants, day laborers, and the unemployed who elected you and sent you here to represent them did so in order to get a new deal in taxes as well as in other matters. They do not want Mellon or any of his aides writing our tax laws. The people who sent us here have to work long and hard, and often find themselves in the late years of their hardships with little saved. Nevertheless, throughout life and even in their old age they continue to pay taxes with no method of escape. This they do, and the least we can do when we write a tax bill is to keep the Mellon tax lobbyists out of the halls of Congress.

Mr. PARKS. Mr. Speaker, I regret I have not more time to yield to the gentleman from Texas, but there are a number who want to speak on the report.

I now yield 5 minutes to the gentleman from Minnesota [Mr. KVALE].

Mr. KVALE. Mr. Speaker, the gentleman from Texas [Mr. McFARLANE] and I are one in our desire to see that graft is eliminated, that construction and procurement of equipment are modernized, that obsolete material is removed, that our personnel is safeguarded and the interests of the taxpayers are protected, but I somehow doubt that this particular method is the proper method of approach.

When the gentleman from New Hampshire [Mr. TOBEY] offered his amendment and it was first added to the Navy Department appropriation bill, thereby limiting the profit to 10 percent, I thought this was a splendid thing. I thought this because I had been sitting on a subcommittee which had been delving into some of these practices. But on further study I have had serious doubts.

I am with the gentleman from Texas in wanting to remove all the graft and corruption and favoritism from all of these procurement matters and from all contracts entered into between private manufacturers and those in Government positions, and I am for scourging out of public life all the dishonest who are found practicing such favoritism as may make possible these unpleasant affairs.

But it occurs to me now that if we limit the contract to 10-percent profit, I might suggest the old homely adage, "You can lead a horse to water, but you cannot make him drink." In other words, you can subdue these people but you cannot make them behave.

I have gone through some of these factories, some of their large plants, where they naturally are interested in the profits, where they very possibly have done some things that are not of the highest ethics in business affairs; but they are genuinely interested in promoting their product, in securing something that will be successful in their competitive business.

For that reason I hate to limit them to the point where they are unable to carry on their research work and keep up their scientific laboratory, carry on the work necessary to improve their product beyond what today is obsolete or obsolescent. I feel certain they are gentlemen who desire to protect the interests of the Government, and they have admittedly done things of which they can well feel proud. The record upon that matter will speak for itself.

Mr. WILCOX. Will the gentleman yield?

Mr. KVALE. I yield to the gentleman.

Mr. WILCOX. The gentleman from Texas called attention to the purchase of Douglas airplanes for \$20,000 above the offer of some other company.

I would like to call attention to the fact that it has recently been disclosed that although the Douglas airplane costs \$20,000 more than some others, the saving of gasoline alone has been about \$12,000, aside from the increased efficiency and safety.

Mr. KVALE. I am glad the gentleman has brought that matter up. I did not have the complete facts in my possession, but I knew that there must be more to the story than what appeared on the surface. I am sure that anyone that recognizes the Military Affairs Committee under the leadership of such eminent men as the gentleman from New Hampshire [Mr. ROGERS] and the gentleman from Alabama [Mr. HILL] and the gentleman who heads our committee [Mr. McSWAIN] will recognize that they have done valiant work. And when any Member of this body or any other group attempts to criticize Secretary Woodring or any of his staff or minimize the patriotic and constructive work they have done, let me say emphatically that such a Member undertakes no little task, for in the last 2 years that office is and has been a credit to the Government, no less.

[Here the gavel fell.]

Mr. PARKS. Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania [Mr. RICH].

Mr. RICH. Mr. Speaker, let me call attention to this war appropriation bill. In 1936 we appropriated \$422,896,470. This appropriation bill as it left the House carried \$543,341,506, or an increase of \$120,445,036 over what it was a year ago. Now, you come back here with the conference report and the total amount of the bill as stated by the gentleman from Arkansas [Mr. PARKS] is \$572,446,884, so that this bill has been increased over the bill of last year by \$149,550,414. And when I sit here and see my good friend Mr. DOUGHTON and the gentleman from Washington [Mr. HILL], members of the Committee on Ways and Means, whose duty it is to get money to pay these bills, and who brought in a bill here to raise \$800,000,000 and have scratched their heads for 3 months and do not know how they will even get that money, and when I think of the manner in which the membership of the House is spending money it seems to me that Mr. DOUGHTON ought to come in here with a great big club and get after you fellows for spending the way you do. That is the only way that he will ever get a balanced Budget, and if he needs some help, I will tell him where to go to get it, and I will be glad to assist him.

I call the House's attention to two important things. I want to read to the majority side of the House particularly plank no. 1 in the platform of the Democratic Party that was adopted in 1932:

The Democratic Party solemnly promises by appropriate action to put into effect the principles, policies, and reforms herein advocated, and to eradicate the policies, methods, and practices herein condemned. We advocate an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus and eliminating extravagance, to accomplish a saving of not less than 25 percent in the cost of Federal Government, and we call upon the Democratic Party in the States to make a zealous effort to achieve a proportionate result.

If you gentlemen have done anything, you have done just the opposite from what you promised at that time. Gentlemen will recall that the President said that he was for the Democratic platform, and I now want to read what Mr. Farley said in his speech made November 9, 1932:

You may be sure when Franklin D. Roosevelt makes a promise to an individual or to a nation that promise will be fulfilled, for he makes none beyond his power to make his pledges come true. He is pledged to an economical and an efficient management of our national affairs. He will choose nobody incapable or unwilling to conduct the business on that basis.

Do you Members of Congress believe Mr. Farley? Do you think the above is the truth?

This administration, according to statements made by Mr. Morgenthau before the Senate committee will spend more money this year by \$6,000,000,000 than the Government will receive. You have spent an average of over \$3,000,000,000 each year, and \$6,000,000,000 this year is going to make Mr. Morgenthau's prognostication of our national debt come true, because he cannot see anything in this Democratic controlled House but a bunch of spendthrifts. Mr. Majority Leader, why do you not try to keep these expenses down, why do you not help Mr. DOUGHTON increase taxes, and why does he not stop the membership of the House from spending so much money? The responsibility

is on the Democratic Party to carry out their platform pledges to make their promises come true to the American people. Why do they not do it?

The SPEAKER pro tempore. The time of the gentleman from Pennsylvania has expired.

Mr. PARKS. Mr. Speaker, I yield 10 minutes to the gentleman from California [Mr. DOCKWEILER].

Mr. DOCKWEILER. Mr. Speaker, I do not know how many of you have actually had the opportunity to read the amendment that was inserted in the bill in the last hours of the day when this bill was read under the 5-minute rule. That amendment reads as follows:

SEC. 4. That as to contracts or subcontracts in excess of \$10,000, no appropriation contained in this act shall be available for the payment of a profit in excess of 10 percent to any contractor or subcontractor for the construction and/or manufacture of any complete aircraft or ordnance material, or any portion thereof.

That was legislative matter. We have before us an appropriation bill. As a member of the subcommittee that had charge of this Army supply bill, as a member of the Committee on Appropriations, I have repeatedly refused to permit any legislative matter of any character to go into those bills. Legislative matter should go to the appropriate committees of the House, and if we do not permit it to go to the appropriate committees of the House, then we defeat the purpose of these committees that have been created by the rules of the House. The Vinson-Trammell bill, which has been referred to by the gentleman from Texas [Mr. McFARLANE], is a legislative bill, entirely so, an authorization bill and not an appropriation bill. That bill authorized the building of ships and fixed the number of tons that the United States should build of naval ships. It was purely a legislative bill, and the appropriation bill subsequently followed the terms of that bill.

Mr. HILL of Alabama. Mr. Speaker, will the gentleman yield?

Mr. DOCKWEILER. I yield.

Mr. HILL of Alabama. The Committee on Military Affairs, acting as the agent of this House, spent, not days or weeks but literally months in an effort to put as much competition and economy as possible in the matter of the purchase of aircraft and aircraft material. I know that if the gentleman from Texas [Mr. McFARLANE] would introduce a bill or would come before that committee, the committee would be more than delighted to have him give us any facts or information he may have.

Mr. DOCKWEILER. I thank the gentleman for his contribution.

Mr. KVALE. Mr. Speaker, will the gentleman yield there?

Mr. DOCKWEILER. I yield.

Mr. KVALE. We found too much of a stinking mess to expect all of it to be cleaned up within the space of a few days or a few weeks.

Mr. McFARLANE. Mr. Speaker, will the gentleman yield?

Mr. DOCKWEILER. I do not yield to the gentleman from Texas. If the gentleman from Texas wants to allow proper approach to this matter, let him introduce a bill in this House, which will be referred to the Committee on Military Affairs, the appropriate committee to consider this matter.

Now, for a moment, I wish to refer to something and read to you from the Chief of Staff of the Army, General Craig, testifying before the subcommittee on appropriations handling this bill in the Senate. He testified as follows on the question of this 10-percent limitation:

The records of Congress show that the Vinson-Trammell Act, which limits costs of Navy contracts, was the outgrowth of careful hearing in committee, amendment, debate, conference, and rejected agreement and further conference. It was sufficient to constitute a problem in itself.

However, the War Department is strongly opposed to any wording of such important law being inserted in the appropriation act without careful investigation of its reaction on its system of proposals, contracts, audits, payments, and upon the industries upon which the country must depend in time of war.

The War Department's auditors go carefully into every cost before a contract is awarded, and are in the factory during the life of the contract. The Department is zealous in its administration. To complicate it by adopting further law without mature consideration is highly dangerous to national defense.

I now refer to testimony given recently by Senator WALSH, chairman of the Committee on Naval Affairs of the Senate. On March 25, 1936, he said, at page 4335, as follows:

Mr. WALSH. For the information of the Senate, I desire to state that the same proposal is pending before the Committee on Naval Affairs, and the same opposition has been registered by all the officials of the Navy Department, from the Secretary of the Navy to the naval officers in charge of construction. They emphasize very strongly the necessity for repealing this provision as it applies to naval aircraft, as well as Army airplanes. They particularly emphasize the fact that it constitutes a very great disadvantage in obtaining bids for the construction of aircraft. They state that it is customary to ask for sample aircraft to be submitted before the bids are asked for, and that the manufacturers do go to great expense in building models and presenting them for inspection to the Navy Department. When such models are submitted, thereafter bids are asked upon the most desirable types. In the event this provision should continue in the law the Government, it is alleged, would be placed, as it is now placed, under very great handicap so far as the Navy Department is concerned.

I thought it would be interesting to Senators to know that the same question is now pending before the Committee on Naval Affairs, and some action is desired along the same line by the Navy Department.

Mr. COPELAND. I thank the able Senator from Massachusetts for what he has said. In the War Department the officials ask for full-sized planes as samples.

Mr. WALSH. The Navy Department does also. Of course, it involves very great expense. When the bids were asked the manufacturers who produce naval aircraft that are acceptable usually add something in their bids to cover the expense of constructing the models.

Mr. COPELAND. In the Army and Navy Journal for February 22 the statement is made that both Representative VINSON, chairman of the Naval Affairs Committee, and Representative McSWAIN, chairman of the Military Affairs Committee, have indicated their opposition to this provision in the Army bill.

Mr. KVALE. Mr. Speaker, will the gentleman yield?

Mr. DOCKWEILER. I yield.

Mr. KVALE. The report should have added that in addition to the building of models a great deal is required in voluntary research work which is done by their architects, their engineers, and their scientists.

Mr. DOCKWEILER. Exactly. Ever since the Wright brothers on this eastern coast successfully flew the first airplane in our memory, what do you suppose would have been the progress of aviation, if the activities of all those interested in aviation were limited to a profit of 10 percent? I am willing to assert that there has been no profit of 10 percent throughout the history of airplane manufacture. Of course, it is an appealing, an alluring thing to say to Congressmen that we should limit manufactures to a profit of 10 percent. There is a sophistry in it, but it is a dangerous sophistry. We could not pay for the advancement in aviation, particularly the science of aviation, the science of building aircraft, if we demanded or permitted this limitation on every contract that is entered into. Remember it is on each and every contract. I know for a fact that it requires from \$200,000 to \$500,000 to prepare a model of a ship—to make the jigs and dies required before a contract is ever entered into.

Mr. HILL of Alabama. Mr. Speaker, will the gentleman yield further?

Mr. DOCKWEILER. I yield.

Mr. HILL of Alabama. It cost the Boeing Co. \$575,000 to develop the Boeing bomber, which is perhaps the most effective and greatest bomber in the world today. If those people are to spend their money to experiment and carry on the development of the airplane, to give greater safety factors and greater effectiveness from the standpoint of striking for national defense, the Government must let them get that money back. Is that not a fact?

Mr. DOCKWEILER. That is right. If a contract is let for \$2,500,000 and only 10 percent can be secured as profit—\$250,000—it costs more than \$250,000 to build the first sample model of an airplane under those conditions. It is not fair to the industry. It is unfair to national defense and the program that this Congress has adopted. It is unfair to the program we have undertaken for the safety of the people of our Nation to hamstring at this time, especially in a new industry that is advancing so fast, even against the inventions of the whole world in aviation.

Mr. HILL of Alabama. And we do not subsidize our industry, whereas foreign governments do.

Mr. DOCKWEILER. I thank the gentleman for his contribution.

Mr. KVALE. The first of any series of ships needs completely new sets of jigs and dies and tools in addition to the plans?

Mr. DOCKWEILER. That is right. The gentleman from New Hampshire [Mr. ROGERS] has had successfully passed through this House an authorization bill so that the Army may have a minimum of 4,000 planes. During the pendency of this appropriation bill it developed that we were back 700 planes in deliveries. How can we hope for better conditions if we begin to do the things suggested in this amendment?

[Here the gavel fell.]

Mr. PARKS. Mr. Speaker, I yield 5 minutes to the gentleman from New Hampshire [Mr. ROGERS].

Mr. ROGERS of New Hampshire. Mr. Speaker, soon after I first became a Member of this honorable body in the Sixty-eighth Congress I received an appointment on a special committee, the Lampert committee, involving the investigation of military aviation. Since then I have attempted to keep in close touch with military aviation, and during the last three sessions of Congress I have had the honor to be a member of the subcommittees having to do with all questions regarding military aviation.

Two years ago a special resolution passed this House (H. Res. 275) authorizing and directing the Committee on Military Affairs, or any subcommittee thereof appointed by the chairman, to inquire into and investigate alleged profiteering in military aircraft and other matters in which the problem of national defense was involved. I had the honor to be appointed chairman of that committee, and it was composed of Representatives from both sides of the aisle who had long been members of the Committee on Military Affairs, including the former chairman of the full committee, the gentleman from Michigan, Mr. James. We conducted long and extended hearings, and we ascertained that the War Department was violating the law of 1926, which provided for the purchase of airplanes in quantity by competitive bidding.

Mr. McFARLANE. Mr. Speaker, will the gentleman yield?

Mr. ROGERS of New Hampshire. The gentleman from Texas refused to yield to me; I refuse to yield to him.

The fact of noncompliance with the law as to competitive bidding was brought home to the War Department, and after further hearings we unanimously recommended the removal of the then Chief of the Air Corps, Maj. Gen. Benjamin D. Foulois. With the concurrence of Assistant Secretary of War Harry H. Woodring, there was then adopted a system of compliance with the law; and since then we are confident that quantity purchases of planes for the Army for approximately the last 2 years have been lawfully made by competitive bidding.

Mr. Speaker, as a result of our investigation there was worked out in conjunction with the office of The Assistant Secretary of War a procurement policy complying fully with the law, resulting in competitive bidding and not negotiated contracts. The outcome of this investigation and change of policy is that new and additional firms are manufacturing aircraft for the Army, and that is the situation which exists today. It is a logical, fair, and reasonable law. It carries out the will of Congress as enacted in 1926. It has now been in force nearly 2 years, and I submit, Mr. Speaker, that the Congress should permit it to continue, because we know now from the records and achievements already made that we are on the road to better planes and greater prosperity in military aircraft. The policy now legally adopted by the War Department is on a competitive basis, and has resulted in several new and additional firms manufacturing aircraft for the Army. It is a policy based on competitive bidding with the utmost emphasis placed upon performance. The logic of such a policy is clear when we pause to realize that aircraft of inferior performance to that of an enemy will be of much less value in national defense and may well result in the loss

of air supremacy. It has been carefully checked, and I am sure that, in the opinion of the subcommittee, of which I am chairman, it fully complies with the Air Corps Act of 1926.

The amendment adopted in the House, known as the 10-percent limitation, which is now stricken from the bill by the terms of the conference report, I am advised was, after hearings thereon, unanimously opposed by the Senate Subcommittee on Appropriations, the full Senate Appropriations Committee likewise unanimously voting its deletion. I am also happy to say that on March 16 the Senate voted to concur with its Appropriations Committee in removing this amendment from the bill.

In a communication to the Senate committee from Acting Secretary of War Harry H. Woodring, he stated that this amendment should be stricken from the bill for the following reasons, which I gladly adopt as my own:

The section which it is recommended be omitted is objectionable because it will—

- (1) Greatly increase the complexity and delay of procurements;
- (2) Stifle research and development;
- (3) Reduce competition;
- (4) Give rise to colossal difficulties of administration; and
- (5) Tremendously increase the cost of checking the books of contractors and necessitate the employment of many more cost accountants than have heretofore been employed on Government contracts.

The subcommittee of the Committee on Appropriations, United States Senate, held complete hearings on the War Department bill, calling before it Assistant Secretary of War Woodring and Chief of Staff Gen. Malin Craig.

In referring to the 10-percent limitation, I agree fully with the language of General Craig when he said:

I believe that the amendment was possibly accepted by the chairman of the subcommittee and adopted without a full study of it and a realization of what it entails, as it was stated on the floor that the amendment carried substantially the same language as is carried in the Navy bill every year.

Now, the difference in language is very apparent. This is a six-line amendment and that Navy law on the subject is one of over 50 lines.

The law may prove to work well for the Navy. But Navy conditions are not Army conditions. Army aviation, not yet up to its peace strength, must expand rapidly in war; the Navy is practically on a war footing at the outset. In the Navy a gun may possibly be considered a part of a vessel; in the Army it is an entity in itself. The Navy has an aircraft factory of its own; the Army has none. It may be satisfactory for the Navy to carry on much of its own research and development. The airplane industry in this country is not stabilized. Its fine engineers are thinking every moment and are progressing in design every year.

The proposed section would stifle research and development in the industry insofar as military airplanes are concerned. At present the War Department system places research and development squarely on the shoulders of the industry, where we think it belongs. If these costs are not allowed to enter and be paid for, the War Department will be confined to the product of the brains of a few Army officers and civilian employees in its experimental plant at Wright Field; all good men, indeed, but they do not represent the sum of experience now at the disposal of the War Department. It will be necessary, I believe, to vastly increase the plant at Dayton, which now has means only for test and investigation in the acceptance or rejection of bids and for development of improvements in accessories.

Such a law is liable to stifle the industry, also, through lack of competition. It may increase the possibility of collusion, for the reason that in order to establish those costs which may be permitted to enter, many advance conferences must be had with representatives of the industry, in order that common understanding may be had in the submission of bids.

It may starve the industry for the reason that if an aircraft corporation is always to be limited to an absolute maximum of profit on a contract, it has no means of recouping the losses which it inevitably takes on some contracts, particularly those of an experimental nature. This might tend to wreck the smaller firms and put all the business into the hands of a few strong ones. If the industry is crippled, the Government would have to go into business.

It has another bad feature; with the return of good times the more important factories having adequate research and development facilities will not take a Government contract.

Section 10 of the act approved July 2, 1926, provides a most careful system of procurement of aircraft. The War Department's auditors go carefully into every cost before a contract is awarded, and are in the factory during the life of the contract. The Department is zealous in its administration. To complicate it by adopting further law without mature consideration is highly dangerous to national defense.

Assistant Secretary of War Woodring also testified in part as follows:

This policy is based upon competitive bidding and in order to properly protect the interests of the Government in the procurement of such a highly technical piece of equipment requires the bidder to submit with his bid a completed airplane for test. The bidder is required to submit with his bid a completed airplane on the line for test, as he submits his bid, and these airplanes are thoroughly tested and contracts awarded to the manufacturer who has produced the finest performing airplane, after we have evaluated all the planes in competition.

To insure the reasonableness of the cost a careful financial audit is made of the cost figures of the manufacturer after we make an award. This policy is resulting in a constant striving on the part of the manufacturers to offer better and better performing aircraft. It places squarely on the shoulders of industry, where it logically belongs, the necessary research and development work and gives the Government the active use and benefit of all the brains of the industry.

For instance, we will send out invitations for bombers for delivery in 10 or 12 months, and probably three different concerns scattered well over the United States to bid on bombers. Certainly under that kind of a system the companies are going with their engineering and designing and researching departments, are going to try and build, develop and build, and deliver on the line the finest bomber in order to win the competition and therefore get the business.

The 10-percent limitation of profits on contracts will prevent the possibility of manufacturers recouping any of these experimental and development costs and ultimately result in the practical cessation of such research and development on the part of industry. This will mean that the Government will have to carry on its own research and development and that the only brains being applied to the advancement of our aircraft will be such brains as the Government may be able to assemble at Wright Field, which is our technical and procurement branch of the Air Corps.

I do not need to tell you that such a situation will materially retard progress in the development of military aircraft in this country and will result in our Air Corps being equipped with airplanes inferior in performance to those of other countries.

Senator FLETCHER. You would not favor any limitation of profits?

Assistant Secretary WOODRING. We do favor a reasonable profit; yes; but at this stage I do not favor any limitation of profits in the contracts, and I will explain why, because I believe we have that limitation in our audit today.

To maintain our position in the world of aviation requires a continuation of constant and extensive research and development, and any limitation which takes from the manufacturer the possibility of recouping cost of this research and experimental development work places our whole aircraft procurement program in jeopardy.

Since the Government is practically the sole beneficiary of the progress of military aviation, it is proper that the Government, as I say, should bear these costs. In this connection I wish to point out that the cost of building an experimental airplane runs from \$100,000 to \$600,000, and that manufacturers cannot continue to build and offer these airplanes to the Government under a statute which precludes any possibility of reimbursement therefor.

If the airplane industry were stabilized and producing units in large numbers, the provision might not be nearly so detrimental; but the industry is still in a highly experimental state, and therefore faced with many more hazards than one which has arrived at a place where progress and development is comparatively slow.

Since the number of civil and commercial airplanes produced in this country is not of itself sufficient to maintain a satisfactory nucleus of aircraft industry, the methods of procurement of military aircraft will have a vital effect on the industry and any action to be taken with regard to these methods should be very carefully and thoroughly considered prior to its adoption.

The action we take here on this clause as it affects the actual procurement of military aircraft affects commercial aviation as much as it does the military, because, as I say, it will have its effect upon these manufacturers who must go into commercial aviation.

I do not want to go on any further with this. I think that I can state to you that it is my opinion, and conclusion, that if this 10-percent clause is put on, from the one phase of it, the greatest phase of national defense, it will defeat not only procurement of good aircraft as a result but it will defeat the competitive system of bidding which I think is the finest system under which we can procure in the interest of the Government.

In conclusion, Mr. Speaker, I ask the Members of the House, in the interests of national defense, adequate protection for our homes, schools, churches, and industries, and above all for the perpetuity of all American institutions and the Nation itself, to concur unanimously in this conference report.

Mr. PARKS. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Speaker, this conference report calls for an increase over the Budget of \$8,079,000 for military

purposes. It calls for a decrease below the Budget when you come to consider all of the amendments that are going to be offered by the committee, of \$8,331,000, or a net decrease below the Budget of \$252,000.

The conference report has such inconsistent features as to provide on page 11, line 9, for the pay of not less than an average of 165,000 enlisted men, and then providing later that the enlisted strength of the Army shall be increased from an average of 147,000 to an average of 165,000 at the rate of 1,500 per month. How there could be any such operation as that is beyond my understanding. Frankly, I felt that the recommendations of the House committee increased the strength of the Army just as far as it ought to go at the present time. This increase proposed in the conference report goes beyond the capacity of the Army to house the men.

When it comes to the increase above the House bill for rivers and harbors it is perfectly ridiculous, but I am not going to discuss that in detail at this time. I am going to ask the chairman of the committee to yield me a few moments when we come to that feature.

Frankly, from my own standpoint, I am not going to vote for these increases, and I hope they will not prevail.

[Here the gavel fell.]

Mr. PARKS. Mr. Speaker, I yield the remainder of my time, 5 minutes, to the gentleman from Minnesota [Mr. MAAS].

Mr. MAAS. Mr. Speaker, the proposed 10-percent limitation involved in this controversy would be a very unwise thing for this Congress to adopt. I have the deepest sympathy with the objects of my friend the gentleman from Texas, but this is not the way to meet the problem. If the laws are being violated, the answer is to enforce the laws, not to make new laws.

The unfortunate part of this 10-percent limitation is that it defeats its own purpose. Instead of spreading competition, it will eliminate competition. On the one hand we are seeking by a tax bill to take away corporation surplus, or very materially reduce the surplus of corporations, and on the other hand we propose to limit their profits to 10 percent. How, then, in Heaven's name are these companies to get the funds to carry on experimental development? They do it infinitely cheaper than the Government can itself do it.

I have a good deal of familiarity with this matter, as I have spent a good deal of my time studying and investigating it, and I state it as my firm conviction that you cannot possibly make over 6 percent under this 10-percent limitation.

By encouraging private capital to undertake the research and development in aviation the Government eventually gets the benefit of the combined efforts of a number of companies on each subject. We then take the most successful development.

We pay nothing for the experiences of the other concerns who do not get contracts, though their work contributes very materially to the ultimate results. Were the Government to undertake all this research itself, it would cost many, many times the contract price we now pay for the finished product.

It says 10 percent, but because of restrictions and regulations governing the items allowed in the contract price you cannot make over 6 percent in actual practice.

Mr. McFARLANE. Will the gentleman yield?

Mr. MAAS. I yield to the gentleman from Texas.

Mr. McFARLANE. It may be of interest to the gentleman to know that in France the profit on production contracts involving aircraft—and they are far superior to ours, because they have honest competition—is 7 percent. In Italy it is 5 percent, and in England it is 7 percent. So, according to all those who know the facts in the case, this 10-percent limitation of net profits is a pretty liberal proposition, and it will not work the hardship on these companies the gentleman said it will do at all.

Mr. MAAS. The gentleman is mistaken. As a matter of fact, averaged up, these contracts have not shown as much as 10-percent profit in this country. By limiting the profit to 10 percent and making it apply to specific contracts it is impossible to create sufficient funds for experimental purposes.

Mr. Speaker, the main thing involved is the fact that experimental development in this country will be killed. We found ourselves through conditions which have prevailed in the past, as explained by the gentleman from Texas, and he was correct, where our airplanes were 100 to 150 miles an hour slower in the air than those of the five leading European countries. Speed and maneuverability in the air is the essence of success. A plane that is 10 miles an hour faster means generally, other things being equal, success for that plane. If the plane you are fighting is faster, it means that he can catch you if he is attacking you, or he can get away from you if you are attacking him, for you cannot catch him. The matter of speed is a matter of vital importance.

Mr. HILL of Alabama. Will the gentleman yield?

Mr. MAAS. I yield to the gentleman from Alabama.

Mr. HILL of Alabama. If that is true, the War Department showed good wisdom in purchasing the Douglas planes referred to; and with reference to the proposition the War Department is not carrying out the law in connection with requesting bids, may I say when they asked for bids for the contract under which the Douglas planes were bought they sent out 160 circular proposals, which took in every airplane factory of any consequence in the country, and the War Department advertised also in newspapers and in trade journals.

Mr. MAAS. That is their general policy, is it not?

Mr. HILL of Alabama. That is their general policy, of course.

Mr. MAAS. The reason I say this will eliminate competition is that it leaves no opportunity to do any development work whatsoever. There is no opportunity under this proposed amendment to recover the developmental expense. Frequently a development will cost \$100,000 and will produce a product which will have a unit price of \$500, and then the concern that developed the product may not even get the contract. We are interested in ultimate economy, and I say this 10-percent limitation will add millions and millions of dollars to the cost of our national defense; and, more serious than that, will decrease its efficiency in an untold percentage.

If concerns cannot make a sufficient profit on contracts to reimburse them for developmental expenses, they will simply cease to seek or even accept Government business.

This will soon narrow the field to those from whom the Government is able to purchase until no competition will exist at all. The worst feature of this is that the smaller companies will be the first who are forced to forego Government contracts, because they do not have sufficient resources to gamble on Government business and take a chance on not getting a contract after spending any money on developing a product for which the Government is the only market.

This will leave the field to a very few large corporations, and thereafter the Government will be absolutely at their mercy and will pay a thousandfold for its unwise policy that will permit the complete destruction of competition.

Generally, when there is no competition, there is no progress. Improvements, advance, and progress cost money. These corporations have no magical source of funds. The stockholders will not long tolerate a management that cannot show a reasonable return upon their investment.

Genuine, healthy, natural competition will in itself give us adequate protection against exorbitant profits. The rivalry for business is very keen today, and a concern whose bid is too high just does not get the business. Of course, price must not be the sole criterion. Quality is all important. You are playing with men's lives when you buy airplanes. The best in material and workmanship is none too good. But not only is the question of the pilots' lives involved, but the whole question of the success or failure of our air defense is at stake.

If there is violation of the law in the purchase of airplanes, punish the violators, but do not merely pass more laws that

can only hamper proper procurement and not aid it. However, the complaints of the past do not hold for procurement conditions today. Government contracts are pretty well protected now by proper audits, inspection, and tests. I hope the amendment will be rejected.

[Here the gavel fell.]

Mr. PARKS. Mr. Speaker, I move the previous question on the adoption of the conference report.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

The SPEAKER. The Clerk will report the first amendment in disagreement.

The Clerk read as follows:

Page 10, line 16, amendment no. (4), strike out "\$33,944,252" and insert "\$34,619,252: *Provided*, That on and after July 1, 1936, there shall be authorized 1,183 officers of the Medical Corps and 258 officers of the Dental Corps, notwithstanding the provision of the act of June 30, 1922 (42 Stat. 721), and the authorized commissioned strength of the Regular Army is hereby increased by 300 in order to provide for the increase herein authorized in the number of officers in the Medical and Dental Corps."

Mr. PARKS. Mr. Speaker, I move to recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

In lieu of the matter inserted by said amendment insert the following: "\$34,169,252: *Provided*, That on and after July 1, 1936, there shall be authorized 1,033 officers of the Medical Corps and 183 officers of the Dental Corps, notwithstanding the provisions of the act of June 30, 1922 (42 Stat. 721), and the authorized commissioned strength of the Regular Army is hereby increased by 75 in order to provide for the increases herein authorized in the number of officers in the Medical and Dental Corps."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Page 11, line 11, amendment no. (9), strike out "\$60,883,292, and, in addition, \$2,344,211 of the appropriation 'Pay of the Army, 1936', which sum shall remain available until June 30, 1937, for defraying the cost of increasing the enlisted strength of the Regular Army from an average of 147,000 to an average of 150,873 enlisted men, and shall be available also for the objects embraced by and in addition to other appropriations contained in this act."

Mr. PARKS. Mr. Speaker, I move to recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

Restore the matter stricken out by said amendment amended to read as follows: "\$61,383,965, and, in addition, \$2,344,211 of the appropriation 'Pay of the Army, 1936', which sum shall remain available until June 30, 1937, for defraying the cost of increasing the enlisted strength of the Regular Army from an average of 147,000 to an average of 165,000 enlisted men, and the attainment of such 165,000 enlisted men shall be accomplished by recruiting at the rate of 1,500 men per month in addition to recruits necessary to maintain 147,000 enlisted men."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Page 31, line 7, amendment no. 20:

"ACQUISITION OF LAND

"For the acquisition of land in the vicinity of West Point, N. Y., as authorized by the act approved March 3, 1931 (46 Stat. 1491), \$431,000, to remain available until expended."

Mr. PARKS. Mr. Speaker, I move to recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

In lieu of the matter inserted by said amendment insert the following:

"ACQUISITION OF LAND

"For the acquisition of land in the vicinity of West Point, N. Y., as authorized by the act approved March 3, 1931 (46 Stat. 1491), or, in lieu thereof, for such extensions and alterations as may be necessary in the existing pipe line and intake employed in supplying water to the United States Military Academy, \$431,000, to remain available until expended: *Provided*, That no obligation to acquire any parcel of land shall be incurred until the Comptroller General shall have approved the proposed purchase price as being reasonable."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Page 37, line 16, amendment no. 25:

"That the Secretary of War is hereby authorized and directed to convey to the city of Little Rock, Ark., a municipal corporation of the State of Arkansas, the land described in section 2 hereof, subject to the following conditions:

"(1) Said property shall be at all times utilized only by the municipality for public purposes.

"(2) In time of national emergency, upon request of the Secretary of War, the municipality shall turn over complete control and operation of the entire Little Rock Municipal Airport and the property thereon, without rental or other charge, to the United States of America, for such use and for such length of time as the emergency shall require, in the discretion of the Secretary of War.

"(3) That the said municipality shall at all times furnish free use of the said Little Rock Municipal Airport to all Army and Navy aircraft, together with such hangar and necessary service facilities as are available at said airport.

"(4) That the said municipality shall furnish free use of the airport field and the squadron hangar now located thereon to the One Hundred and Fifty-fourth Observation Squadron, Arkansas National Guard, or its successor as designated by the War Department, and that the said squadron during periods of intensive training under direction of the War Department shall have right-of-way or priority in the use of the said field, and that the municipality shall continue to extend to the squadron the same free services of said field as are now extended to the squadron, including free use of the lighting system for night flights.

"(5) The municipality shall annually expend in new and additional improvements to the airport an amount equal to the amount now paid the United States of America as rental.

"Sec. 2. The land authorized to be conveyed by the Secretary of War under section 1 hereof is described as follows:

"Beginning at an iron pin marking the southwest corner of the east half of the northeast quarter section 12, township 1 north, range 12 west, fifth principal meridian; thence

"(1) South 84°45' west along the east and west half-section line of said section, said line also being the center line of Seventeenth Street, a distance of 1,241.65 feet to a point in the easterly right-of-way line of the Missouri Pacific Railroad; thence

"(2) North 34°56' west along said right-of-way line, a distance of 1,548.78 feet to a point in the center line of Thirteenth Street; thence

"Along the center line of Thirteenth Street, the following three courses:

"(3) North 84°46' east a distance of 941.04 feet to a point;

"(4) South 84°21' east a distance of 179 and no hundredths feet to a point;

"(5) North 84°54' east a distance of 884.30 feet to a point in the center line of the Harrington Avenue, said center line also being the west line of the east half of the northeast quarter of said section 12; thence

"(6) North 5°36' west along said center line, a distance of 1,058.80 feet to a point; said point being 286 and no hundredths feet from a stone monument marking the northwest corner of the east half of the northeast quarter of said section 12; thence

"(7) North 37°35' east a distance of 391.60 feet to a point in the north line of said section 12, distant 268 and no hundredths feet from said stone monument; thence

"(8) North 84°32' east along the north line of section 12, a distance of 843.85 feet to an iron pin, said pin being 211 and no hundredths feet from a stone monument in the northeast corner of said section 12; thence

"(9) South 5°31' east a distance of 2,657.70 feet to an iron pin, said pin being 211 and no hundredths feet from an iron pin in the southeast corner of the east half of the northeast quarter of section 12; thence

"(10) South 84°42' west along the east and west half-section line of said section 12, said line also being the center line of Seventeenth Street, a distance of 935.80 feet to a point; thence

"(11) North 5°36' west a distance of 75.10 feet to a point; thence

"(12) South 84°42' west a distance of 172.20 feet to a point; thence

"(13) South 5°36' east a distance of 75.10 feet to the point of beginning.

"Containing, in all, an area of 115.804 acres, more or less, all as shown on map no. 6490-101, entitled 'Reservation Boundary Little Rock, A. I. D., Little Rock, Ark.', dated March 1928, and filed in the office of the Quartermaster General, Washington, D. C."

Mr. PARKS. Mr. Speaker, I move to recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

On page 5, line 5, of the Senate engrossed amendments, after the word "purposes", insert the following: "except what is known as building numbered 19 thereon covered by existing lease and any building erected with the consent of the city of Little Rock, Ark., on the site of hangar numbered 1."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment no. 29: Page 46, line 10, strike out "\$15,697,170" and insert "\$16,188,870."

Mr. PARKS. Mr. Speaker, I move that the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

In lieu of the sum proposed insert "\$16,196,370."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment no. 35: Page 56, line 13, after the word "that", strike out "officers, warrant officers, and enlisted men of the National Guard and Organized Reserves, who, under regulations prescribed by the Secretary of War, volunteer to participate without pay as competitors or range officers in the national matches to be held during the fiscal year 1937, may attend such matches without pay, notwithstanding any provision of law to the contrary, but shall be entitled to travel and subsistence allowances at the same rates as are provided for civilians who attend and participate in said matches: *Provided further, That*".

Mr. PARKS. Mr. Speaker, I move that the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

Restore the matter stricken out by said amendment amended to read as follows: "officers, warrant officers, and enlisted men of the National Guard and Organized Reserves, who, under regulations prescribed by the Secretary of War, volunteer to participate without pay as competitors or range officers in the national matches to be held during the fiscal year 1937, may attend such matches without pay, notwithstanding any provision of law to the contrary, but shall be entitled to travel and subsistence allowances at the same rates as are provided for civilians who attend and participate in said matches, but this proviso shall not operate to prohibit the pay of such competitors or range officers, provided funds for such payment are available from the appropriation 'Promotion of rifle practice, 1937', nor shall any provision in this act operate to deprive a Reserve officer ordered to active duty incident to the national matches of pay for the full period of such active duty, provided funds for such payment are available from the appropriation 'Promotion of rifle practice, 1937': *Provided further, That*".

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment no. 42: Page 69, at the end of line 12, strike out "\$6,000" and insert "\$177,000, of which \$171,000 shall be available for expenditure by the Secretary of War for the acquisition, by purchase, condemnation, or otherwise, of such suitable lands in the vicinity of the city of Baltimore, Md., as in his judgment are required for enlargement of existing national-cemetery facilities, and shall remain available until expended."

Mr. PARKS. Mr. Speaker, I move that the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

In lieu of the matter inserted by said amendment insert the following: "\$106,000, of which \$100,000 shall be available for expenditure by the Secretary of War for the acquisition, by purchase, condemnation, or otherwise, of such suitable lands as in his judgment are required for enlargement of existing national-cemetery facilities."

The motion was agreed to.

The SPEAKER. The Clerk will report the next amendment in disagreement.

The Clerk read as follows:

Amendment no. 45: On page 74, line 17, strike out "\$138,677,899" and insert "\$196,677,899."

Mr. PARKS. Mr. Speaker, I move that the House recede and concur in the Senate amendment with an amendment.

The Clerk read as follows:

In lieu of the sum proposed insert: "\$159,427,899, of which not exceeding \$6,000,000 may be expended, at the discretion of the Chief of Engineers, upon river and harbor or flood-control projects heretofore specifically provided to be proceeded with in any legislative measure heretofore passed by either the Senate or the House of Representatives of the United States: *Provided further, That from this appropriation the Secretary of War may, in his discretion and on the recommendation of the Chief of Engineers based on the recommendation by the Board for Rivers and Harbors*

in the review of a report or reports authorized by law, expend such sums as may be necessary for the maintenance of harbor channels provided by a State, municipality, or other public agency, outside of harbor lines and serving essential needs of general commerce and navigation, such work to be subject to the conditions recommended by the Chief of Engineers in his report or reports thereon."

Mr. PARKS. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. TABER].

Mr. TABER. Mr. Speaker, I hope that the House will refuse to concur in this amendment, which increases the amount allowed by the House something like \$20,800,000.

The primary purpose of this amendment is to legalize and authorize two projects which have not been authorized by law, the Sardis Reservoir project in Mississippi, with an amount available of \$2,500,000, and with an amount required for completion of \$9,472,000.

The Conchas Dam, in New Mexico, \$3,500,000 allowed, with an amount required to complete of \$6,170,000.

When you come to consider that out of the \$159,000,000, \$38,000,000 is allotted for maintenance and that sort of thing—\$3,700,000 for harbors on the coast and about \$1,200,000 for harbors on the Lakes, and the rest for a lot of heterogeneous items, many of which have never been authorized by the Congress—I do not believe we are passing a bill that is justified under the circumstances.

Why we should increase the amount the House allowed, with over \$20,000,000 of authorized construction—\$20,000,000 more for projects which have never been authorized by Congress and never appropriated for or considered by any committee of the House, projects that were turned down by the House—I cannot understand. I hope this amendment will be voted down.

The SPEAKER. The question is on the motion to recede and concur with an amendment.

The question was taken; and on a division (demanded by Mr. TABER) there were 70 ayes and 38 noes.

Mr. TABER. Mr. Speaker, I object to the vote on the ground that there is no quorum present.

The SPEAKER. Evidently there is no quorum present. The Doorkeeper will close the doors and the Clerk will call the roll.

The question was taken; and there were—yeas 210, nays 84, answered "present" 1, not voting 132, as follows:

[Roll No. 89]

YEAS—210

| | | | |
|---------------|--------------|-----------------|----------------|
| Adair | Culkin | Gray, Pa. | McReynolds |
| Andresen | Cullen | Green | McSwain |
| Ashbrook | Cummings | Greever | Maas |
| Bankhead | Curley | Gregory | Mahon |
| Barden | Daly | Griswold | Mansfield |
| Barry | Darden | Guyer | Martin, Colo. |
| Bland | Deen | Haines | Mason |
| Blanton | Dempsey | Hamlin | Massingale |
| Bloom | DeRouen | Hart | Maverick |
| Boland | Dies | Healey | May |
| Boylan | Dietrich | Hill, Ala. | Mead |
| Brewster | Dingell | Hill, Samuel B. | Meeks |
| Brown, Ga. | Disney | Hobbs | Merritt, N. Y. |
| Brown, Mich. | Dobbins | Hook | Miller |
| Buchanan | Dockweiler | Houston | Mitchell, Ill. |
| Buck | Dorsey | Imhoff | Monaghan |
| Burdick | Doughton | Jacobsen | Montague |
| Cannon, Mo. | Doxey | Johnson, Okla. | Moran |
| Carmichael | Drewry | Johnson, Tex. | Mott |
| Carpenter | Driscoll | Johnson, W. Va. | Murdock |
| Cartwright | Driver | Jones | Nelson |
| Castellow | Duffy, N. Y. | Keller | Nichols |
| Chandler | Duncan | Kenney | Norton |
| Chapman | Dunn, Pa. | Kleberg | O'Connell |
| Christianson | Eckert | Kniffin | O'Connor |
| Church | Elcher | Kochalkowski | O'Leary |
| Clark, Idaho | Evans | Kramer | Palmisano |
| Clark, N. C. | Faddis | Kvale | Parks |
| Colden | Fitzpatrick | Lanham | Parsons |
| Cole, Md. | Flannagan | Lesinski | Patterson |
| Collins | Fletcher | Lewis, Colo. | Patton |
| Colmer | Ford, Calif. | Lewis, Md. | Pearson |
| Cooley | Ford, Miss. | Lundeen | Peterson, Ga. |
| Cooper, Tenn. | Fuller | McClellan | Pettengill |
| Costello | Fulmer | McCormack | Peyser |
| Cox | Gasque | McFarlane | Pierce |
| Cravens | Gassaway | McGehee | Pittenger |
| Creal | Gavagan | McGrath | Polk |
| Cross, Tex. | Gillette | McKeough | Powers |
| Crosser, Ohio | Gingery | McLaughlin | Quinn |
| Crowe | Goldsborough | McMillan | Rabaut |

Ramspeck
Rankin
Rayburn
Reilly
Richards
Richardson
Robinson, Utah
Rogers, N. H.
Rogers, Okla.
Russell
Ryan
Sanders, Tex.

Sandlin
Schaefer
Schuetz
Scott
Scrugham
Secrest
Smith, Wash.
Snyder, Pa.
Somers, N. Y.
South
Spence
Stubbs

Sumners, Tex.
Sutphin
Terry
Thomason
Thompson
Tolan
Tonry
Turner
Umstead
Vinson, Ga.
Vinson, Ky.
Wallgren

Walter
Warren
Wearin
Weaver
Welch
West
Whittington
Williams
Wolverton
Zimmerman

NAYS—84

Allen
Amle
Andrews, N. Y.
Arends
Bacharach
Bacon
Blermann
Binderup
Blackney
Bolleau
Buckler, Minn.
Cavichia
Citron
Coffee
Cole, N. Y.
Crawford
Darrow
Dirksen
Ditter
Dondero
Doutrich

Ellenbogen
Engel
Focht
Frey
Gearhart
Gehrmann
Gilchrist
Goodwin
Gwynne
Hancock, N. Y.
Harlan
Hartley
Hess
Higgins, Mass.
Hoffman
Hollister
Holmes
Hope
Hull
Kahn
Kinzer

Kopplemann
Lambertson
Lambeth
Lehlbach
Lord
Luckey
McLean
McLeod
Main
Mapes
Marcantonio
Martin, Mass.
Merritt, Conn.
Michener
Millard
Mitchell, Tenn.
O'Neal
Perkins
Plumley
Reed, Ill.
Reed, N. Y.

Rich
Robertson
Rogers, Mass.
Sauthoff
Seger
Shanley
Short
Smith, Conn.
Snell
Stefan
Taber
Tarver
Taylor, S. C.
Thurston
Tinkham
Treadway
Turpin
Withrow
Wolcott
Wolfenden
Woodruff

ANSWERED "PRESENT"—1

O'Day

NOT VOTING—132

Andrew, Mass.
Ayers
Beam
Beiter
Bell
Berlin
Boehne
Bolton
Boykin
Brennan
Brooks
Buckley, N. Y.
Bulwinkle
Burch
Burnham
Caldwell
Cannon, Wis.
Carlson
Carter
Casey
Celler
Claborne
Cochran
Connery
Cooper, Ohio
Corning
Crosby
Crowther
Dear
Delaney
Dickstein
Duffey, Ohio

Dunn, Miss.
Eagle
Eaton
Edmiston
Ekwall
Englebright
Farley
Fenerty
Ferguson
Fernandez
Fiesinger
Fish
Gambrell
Gifford
Gildea
Granfield
Gray, Ind.
Greenway
Greenwood
Halleck
Hancock, N. C.
Harter
Hennings
Higgins, Conn.
Hildebrandt
Hill, Knute
Hoepfel
Huddleston
Jenckes, Ind.
Jenkins, Ohio
Kee
Kelly
Kennedy, Md.

Kennedy, N. Y.
Kerr
Kloeb
Knutson
Lamneck
Larrabee
Lea, Calif.
Lee, Okla.
Lemke
Lucas
Ludlow
McAndrews
McGroarty
Maloney
Marshall
Montet
Moritz
O'Brien
Oliver
O'Malley
Owen
Patman
Peterson, Fla.
Pfeifer
Ramsay
Randolph
Ransley
Reece
Risk
Robison, Ky.
Romjue
Sabath
Sadowski

Sanders, La.
Schneider, Wis.
Schulte
Sears
Shannon
Sirovich
Sisson
Smith, Va.
Smith, W. Va.
Stack
Starnes
Steagall
Stewart
Sullivan
Sweeney
Taylor, Colo.
Taylor, Tenn.
Thom
Thomas
Tobey
Utterback
Wadsworth
Werner
Whelchel
White
Wigglesworth
Wilcox
Wilson, La.
Wilson, Pa.
Wood
Woodrum
Young
Zioncheck

So the motion to recede and concur with an amendment was agreed to.

The following pairs were announced:

On the vote:

Mr. Taylor of Colorado (for) with Mr. Wigglesworth (against).
Mr. Pfeiffer (for) with Mr. Andrew of Massachusetts (against).
Mr. Cary (for) with Mr. Higgins of Connecticut (against).
Mr. McAndrews (for) with Mr. Marshall (against).
Mr. Fernandez (for) with Mr. Robison of Kentucky (against).
Mr. Kennedy of New York (for) with Mr. Jenkins of Ohio (against).
Mr. Woodrum (for) with Mr. Schneider of Wisconsin (against).
Mr. Maloney (for) with Mr. Ransley (against).
Mr. Sullivan (for) with Mr. Wilson of Pennsylvania (against).

General pairs:

Mr. Corning with Mr. Wadsworth.
Mr. Boehne with Mr. Eaton.
Mr. Granfield with Mr. Carter.
Mr. Cochran with Mr. Taylor of Tennessee.
Mr. Sabath with Mr. Halleck.
Mr. Burch with Mr. Cooper of Ohio.
Mr. Lea of California with Mr. Burnham.
Mr. Beiter with Mr. Knutson.
Mr. Kerr with Mr. Tobey.
Mr. Duffey of Ohio with Mr. Gifford.
Mr. Greenwood with Mr. Bolton.
Mr. Huddleston with Mr. Carlson.
Mr. Patman with Mr. Ekwall.

Mr. Delaney with Mr. Crowder.
 Mr. Hancock of North Carolina with Mr. Risk.
 Mr. Schulte with Mr. Fish.
 Mr. Steagall with Mr. Thomas.
 Mr. Connery with Mr. Englebright.
 Mr. Thom with Mr. Stewart.
 Mr. Smith of Virginia with Mr. Lemke.
 Mr. Bulwinkle with Mr. Fenerty.
 Mr. Larrabee with Mr. Knute Hill.
 Mr. Sears with Mr. Gildea.
 Mr. Beam with Mr. Owen.
 Mr. Randolph with Mr. Berlin.
 Mr. Sweeney with Mr. Ramsay.
 Mr. O'Brien with Mr. Bell.
 Mr. Felsing with Mr. Grambrill.
 Mr. O'Malley with Mr. Stack.
 Mr. Wearin with Mr. Peterson of Florida.
 Mr. Cannon of Wisconsin with Mr. Shannon.
 Mrs. Jenckes of Indiana with Mr. Dear.
 Mr. McGroarty with Mr. Dunn of Mississippi.
 Mr. Wood with Mr. Montet.
 Mr. Starnes with Mr. Edmiston.
 Mr. Dickstein with Mr. Romjue.
 Mr. Sadowski with Mr. Boykin.
 Mr. Gray of Indiana with Mr. Harter.
 Mr. Kee with Mr. Crosby.
 Mr. Lamneck with Mr. Slovich.
 Mr. Lucas with Mr. Farley.
 Mr. Wheelchel with Mr. Ludlow.
 Mr. Claiborne with Mr. Sisson.
 Mr. Buckley of New York with Mr. Kennedy of Maryland.
 Mr. Wilcox with Mr. Casey.
 Mr. Ferguson with Mr. Hennings.
 Mr. Kelly with Mr. Caldwell.
 Mr. Smith of West Virginia with Mr. Klob.
 Mr. Celler with Mr. Lee of Oklahoma.
 Mr. Hildebrandt with Mr. White.
 Mr. Ayers with Mr. Brennan.
 Mr. Moritz with Mr. Zioncheck.
 Mr. Greenway with Mr. Sanders of Louisiana.
 Mr. Eagle with Mr. Utterback.
 Mr. Young with Mr. Wilson of Louisiana.
 Mr. Brooks with Mr. Oliver.

Mr. MASSINGALE changed his vote from "no" to "aye."

Mr. THURSTON changed his vote from "aye" to "no."

The result of the vote was announced as above recorded.

Mr. WHITTINGTON. Mr. Speaker, I ask unanimous consent to proceed out of order for half a minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. WHITTINGTON. Mr. Speaker, I want to call the attention of the gentleman from New York [Mr. TABER] to the fact that he stated that the conference report and the amendment just adopted included the Bluestone Reservoir in West Virginia. That is eliminated under the terms of the amendment, which covers only the Sardis and Conchas Reservoirs; and I ask unanimous consent to extend and revise my remarks in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. WHITTINGTON. Mr. Speaker, under the leave to extend, permit me to say that just before the vote was taken on the motion to recede and concur with an amendment the gentleman from New York [Mr. TABER] stated that the adoption of the motion would provide for continuing work on three reservoirs, known as the Sardis Reservoir in Mississippi, the Conchas Reservoir in New Mexico, and the Bluestone Reservoir in West Virginia. The gentleman is in error. The amendment provides that \$6,000,000 of the total sum appropriated, aggregating \$159,427,899, may be expended upon any flood-control projects heretofore specifically provided for by either the House or the Senate.

Under the terms of the amendment the Bluestone Reservoir is eliminated. I wish it had been included. It has been recommended by the Chief of Engineers; but, I repeat, inasmuch as it has not been approved by either the House or the Senate, it is eliminated from the \$6,000,000 that may be expended by the Chief of Engineers. Moreover, the amendment provides definitely for only the Sardis Reservoir in Mississippi in the sum of \$2,500,000 and the Conchas Reservoir in New Mexico in the sum of \$3,500,000. These two projects have been approved either in the House or in the Senate. The Sardis Reservoir is embraced in S. 3531, in the so-called Overton flood-control bill, that passed the Senate some 2 weeks ago; the Conchas Reservoir is embraced in H. R. 8455, which passed the House in July 1935, is known as the omnibus flood-control bill, and is now pending in the Senate.

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The Senate has already agreed to the conference report. It has already thus approved the amendment that will provide for continuing work on the Sardis Dam and on the Conchas Dam. As shown by the remarks of Senator COPENLAND, of New York, the chairman of the Committee on Commerce and of the Senate conferees, when the conference report was pending in the Senate, and as shown by the CONGRESSIONAL RECORD of April 24, 1936, page 6071, the Senator from New York expressly stated, and the Senate understood, as the House now understands, it was the intent of the amendment to provide for the Sardis Dam and for the Conchas Dam.

The Senate increased the appropriation for river and harbor work by \$50,000,000. The adoption of the conference report and the approval of the pending amendment reduces the increase from \$50,000,000 to \$20,750,000. In other words, a vote for the conference report is a vote to reduce the appropriation as it passed the Senate by approximately \$30,000,000. Efforts were made to increase the river and harbor appropriation on the floor of the House. The adoption of the amendment provides for an increase for river and harbor work in the sum of \$14,750,000 over the amount carried when the bill passed the House and provides for the said sum of \$6,000,000 for the Sardis Dam in the sum of \$2,500,000 and the Conchas Dam in the sum of \$3,500,000. In other words, the Senate increased the appropriation for rivers and harbors by \$50,000,000; the House has reduced the appropriation by approximately \$30,000,000. Moreover, as I have stated, the Senate has approved the Sardis Reservoir and the House has approved the Conchas Reservoir, and both of these reservoirs are recommended by the Chief of Engineers, and an allocation for both of these reservoirs was made out of the Relief and Emergency Act of 1935. By vote, and as shown by the RECORD, the Senate of the United States has determined that projects that were begun under the Relief and Emergency Act of 1935 have the same status as if they had been approved by act of Congress.

I repeat, to emphasize, that the Sardis Reservoir, after careful study and investigation, was recommended by the Chief of Engineers of the United States. The appropriation of \$2,500,000 was also recommended by the Director of the Budget. The project is sound both from an engineering and economic standpoint. Approximately 1,000,000 acres of land are involved. These lands are paying for flood protection along the Mississippi River and are affected by the backwaters of the Mississippi River. Moreover, they have expended \$20,000,000 in the construction of flood-control works. I know of no more important or beneficial flood-control work in the United States. The dam will be located close to the alluvial valley; there is thus a most excellent opportunity to demonstrate the value of reservoirs for flood control in the alluvial valley of the Mississippi River, inasmuch as the reservoirs located nearest to the valley afford the greatest protection.

TRANSFER OF CERTAIN LANDS IN MUHLENBERG COUNTY, KY.— REREFERENCE OF A BILL

Mr. HILL of Alabama. Mr. Speaker, I ask unanimous consent to rerefer the bill (H. R. 11916) to authorize the transfer of a certain piece of land in Muhlenberg County, Ky., to the State of Kentucky, from the Committee on Military Affairs to the Committee on Rivers and Harbors.

The SPEAKER. Is there objection?

There was no objection.

TREASURY AGENCY ORGANIZATION

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H. R. 12556) to create the Treasury Agency Service, to provide for the more adequate protection of the revenue and a more effective enforcement of the revenue and other laws administered by the Treasury Department, and for other purposes.

The SPEAKER. Is there objection?

Mr. SNELL. Mr. Speaker, I reserve the right to object.

Mr. REED of New York. Mr. Speaker, I reserve the right to object.

Mr. SNELL. Mr. Speaker, I think the gentleman from North Carolina should at least tell us what the bill is about. As far as I know there is no objection to the bill.

Mr. DOUGHTON. Mr. Speaker, the bill provides for a consolidation of certain agencies of the Treasury Department—the Secret Service Agency, the Customs Agency, and the Alcoholic Tax Unit, and the criminal division of the Bureau of Narcotics. The purpose of the bill is to provide for a more efficient and more economical administration of these different bureaus; to consolidate them for the purpose of better administration of the law. More or less economy is involved, because it provides for a more effective collection of the revenue. It has the unanimous report of the committee. We held hearings on the bill, and some suggestions were made as to ascertain amendments. Those suggestions have been incorporated in a new bill, now before us, and the objections eliminated.

Mr. REED of New York. Mr. Speaker, I reserve the right to object. We had very full and complete hearings on this bill and it is the unanimous sentiment of the committee that it is a very meritorious measure. The purpose is to coordinate the enforcement activities of three bureaus, one the Alcohol Unit, another the Secret Service, and the other the Customs. These three bureaus now have the country divided up into three districts; that is, three different groups. Under one are 15 districts for enforcement, under another we have 13 districts, and under the Secret Service there are 38 districts. The result is that when the enforcement agents of these different bureaus go into the field in an endeavor to run down violators of the law, they not infrequently operate in the same district without any coordinated effort whatsoever. The result is that the Government is put to unnecessary expense and there is much confusion in the work and a great loss of revenue. Only one objection was raised originally to the bill, and that was with reference to including the Narcotic Division. Some druggists objected. The objections, so far as the druggists are concerned, have been eliminated. This is a companion bill to the antismuggling bill, the customs brokers bill, which we had in the House not long ago. Under the antismuggling measure the Government has already reduced the loss of revenue from \$30,000,000 down to \$5,000,000. This measure now before the House is going to accomplish, in my opinion, great economy in the field of law enforcement. It creates only one or two extra offices, and the extra cost of them will amount to very little, compared with what will be saved in revenue to the Government. I feel there should be no objection to the passage of the bill.

Mr. RICH. Mr. Speaker, will the gentleman from North Carolina yield?

Mr. DOUGHTON. I yield.

Mr. RICH. I congratulate the chairman of the Committee on Ways and Means on trying to consolidate offices. This is the first indication we have had for the last 2 or 3 years. The gentleman has a great work to perform, and if he gets after it I believe we will find it is a much easier job to cut down Government expenses than it is to raise taxes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. PARSONS. Mr. Speaker, I reserve the right to object. The gentleman from New York [Mr. REED] says that this will be an economy measure. Will the chairman of the committee state whether it is contemplated to lay off a lot of employees, or is this just an effort to have a better enforcement of the law so that the Treasury will obtain more revenue?

Mr. DOUGHTON. The primary purpose is to provide for better enforcement of the revenue laws and the collection of revenues. It might effect some economy. Some employees, if not needed, might be laid off, but that is not the primary purpose of it.

Mr. PARSONS. Regarding the transfer of employees into the new agency, will the gentleman state whether or not the status of these employees will be affected by the language on page 4, line 8:

Provided further, That such of the personnel so transferred who do not already possess a classified civil-service status shall not acquire such status by reason of such transfer.

And further, that no one so transferred may be retained without appropriate civil-service status for a longer period than 60 days.

Mr. DOUGHTON. I have been informed by a source which I believe to be reliable that every employee that is affected by this bill is now under the civil service.

Mr. PARSONS. Nobody will be dropped because of this language in the bill?

Mr. DOUGHTON. That is my distinct understanding from sources that I consider reliable.

The bill, if enacted into law, will prevent duplication and overlapping of the work now being done; it will provide also better and more economical administration. There can be no valid objection to the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That this act may be cited as the Treasury Agency Organization Act.

SEC. 2. (a) There is hereby created in the Treasury Department an organization to be known as the Treasury Agency Service, at the head of which shall be the Secretary of the Treasury. The Secretary of the Treasury is authorized to appoint in such organization an assistant, to be known as the Director of the Treasury Agency Service, who shall receive a salary at the rate of \$10,000 per annum and who shall perform such duties in connection with the supervision and coordination of the activities of the Treasury Agency Service as the Secretary of the Treasury may from time to time assign.

(b) Hereafter the Secret Service Division of the Treasury Department shall be in the Treasury Agency Service. There shall also be in the Treasury Agency Service a Customs Division, a Liquor Enforcement Division, and a Miscellaneous Division. The Secretary of the Treasury is authorized to appoint in the Treasury Agency Service three officers, who shall be designated, respectively, as Chief, Customs Division; Chief, Liquor Enforcement Division; and Chief, Miscellaneous Division, and who shall be chiefs of the division indicated by their respective titles.

SEC. 3. (a) All rights, privileges, powers, immunities, duties, and functions (hereinafter all referred to as functions) conferred or imposed by law upon the Enforcement Division of the Alcoholic Tax Unit of the Bureau of Internal Revenue, the Customs Agency Service of the Bureau of Customs, or the Secret Service Division (hereinafter all referred to as units) of the Treasury Department, or upon any officer or employee of such units, are hereby transferred to and conferred and imposed upon the Secretary of the Treasury.

All functions of investigation, detection, or prevention of willful or fraudulent violations of law, conferred or imposed by law upon the Bureau of Internal Revenue with respect to the internal-revenue laws relating to alcoholic liquors or beverages, upon the Bureau of Customs, or upon any officer or employee of either Bureau, and exercised by such Bureau, officer, or employee though any of the above-named units or the officers or employees thereof, are, to the extent that such functions have been so exercised, hereby transferred to, and conferred and imposed upon, the Secretary of the Treasury.

(b) The Enforcement Division of the Alcohol Tax Unit of the Bureau of Internal Revenue and the Customs Agency Service of the Bureau of Customs, together with the offices of Assistant Deputy Commissioner of Internal Revenue in charge of the Enforcement Division of the Alcohol Tax Unit; Deputy Commissioner of Customs, in charge of the Customs Agency Service; and Assistant Deputy Commissioner of Customs, Customs Agency Service, are hereby abolished.

SEC. 4. All personnel and property of each of the units or offices abolished by this act (including office equipment and official records on file therein or pertaining to the business thereof) are hereby transferred to the Treasury Agency Service: *Provided*, That the transfer of such personnel shall be without change in classification or compensation, except that this requirement shall not operate after September 30, 1936, to prevent the adjustment of classification or compensation to conform to the duties to which the personnel of the Treasury Agency Service may be assigned: *Provided further*, That such of the personnel so transferred who do not already possess a classified civil-service status shall not acquire such status by reason of such transfer except upon recommendation by the Secretary of the Treasury to the Civil Service Commission, subject to such noncompetitive tests of fitness as the Commission may prescribe; and no personnel so transferred may be retained in the Treasury Agency Service without appropriate civil-service status for a period longer than 60 days from the effective date of this act.

SEC. 5. The unexpended balances of appropriations for the Secret Service Division and such portions of the unexpended balances of other appropriations available for use in performing the functions transferred by this act as the Secretary of the Treasury may determine are necessary for the performance of such functions shall hereafter be available to the Secretary of the Treasury as a single fund for expenditure for the purpose of performing the functions of the Treasury Agency Service and for otherwise carrying out the provisions of this act.

SEC. 6. (a) The Secretary of the Treasury is authorized to detail for duty in the Treasury Agency Service not to exceed three commissioned officers of the Coast Guard.

(b) The Secretary of the Treasury is authorized to confer or impose upon any of the officers or employees of the Treasury Agency Service any of the functions conferred or imposed upon him by this act.

(c) The Secretary of the Treasury is authorized to confer or impose upon any of the officers or employees of the Treasury Agency Service any of the functions, which he is authorized by any other act to confer or impose upon any officer or employee of the Bureau of Internal Revenue, which relate to the investigation, detection, or prevention of willful or fraudulent violations of the internal-revenue laws, relating to alcoholic liquors or beverages or any of the functions which he is authorized by any other act to confer or impose upon any officer or employee of the Secret Service Division or the Bureau of Customs.

(d) Such officers or employees of the Treasury Agency Service as the Secretary of the Treasury may designate shall possess, and may exercise, such of the functions of internal-revenue officers or customs officers, or both, as may be necessary to carry out the purposes of this act.

SEC. 7. (a) All laws, rules, regulations, remedies, privileges, licenses, permits, or orders made, issued, or granted prior to the effective date of this act, in respect of any of the functions transferred by this act, shall continue in full force and effect, except insofar as directly in conflict with the provisions of this act, and shall be applicable in the same manner and to the same extent as if such functions had not been transferred, until modified, superseded, revoked, or repealed.

(b) No proceeding, hearing, investigation, or other matter pending on the effective date of this act shall abate by reason of any provision of this act but shall be continued and brought to determination by the Secretary of the Treasury.

(c) No suit, action, or other proceeding, lawfully commenced by or against any officer or employee of the United States, in his official capacity or in relation to the discharge of his official duties, shall abate by reason of any provision of this act.

SEC. 8. The Secretary of the Treasury is authorized to issue such rules, regulations, or orders, or take such other steps, as he shall consider necessary in order to coordinate the performance of the functions of investigation, detection, or prevention of violations of law, conferred or imposed upon any officer or employee of the Treasury Agency Service pursuant to this section with the performance of the functions of investigation, detection, or prevention of violations of the narcotic laws conferred or imposed by law upon the Bureau of Narcotics or any officer or employee thereof.

SEC. 9. The Secretary of the Treasury is authorized to make such rules and regulations as may be necessary to carry out the provisions of this act.

SEC. 10. This act shall take effect on the sixtieth day following its enactment.

With the following committee amendment:

Page 7, line 1, strike out the words "this section" and insert in lieu thereof "section 6."

The committee amendment was agreed to.

MR. DOUGHTON. Mr. Speaker, I offer an amendment to correct a typographical error.

The Clerk read as follows:

Amendment offered by MR. DOUGHTON: Page 3, line 15, strike out the word "united" and insert in lieu thereof the word "unit."

The amendment was agreed to.

The bill as amended was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A. F. AMORY—VETO MESSAGE (H. DOC. NO. 487)

The SPEAKER laid before the House the following message from the President of the United States, which was read by the Clerk:

To the House of Representatives:

I return herewith without my approval H. R. 399, "An act for the relief of A. F. Amory."

The act confers jurisdiction upon the District Court of the United States for the Eastern District of Virginia to adjudicate the claim of A. F. Amory against the United States for damages alleged to have been sustained by his power boat *Mocking Bird* in a collision between the power boat and a piece of submerged wreckage which is alleged to have been in the custody of the United States Coast Guard at the time of the collision.

Shortly after the collision a Coast Guard board of investigation was convened at section base 9, Cape May, N. J., to inquire into the responsibility for the collision between the *Mocking Bird* and the submerged wreckage. It was found that the United States Coast Guard had picked up the above-

mentioned piece of wreckage, and on January 26, 1929, had beached and secured it at a place where it did not constitute a menace to navigation. At 2:15 a. m. on August 6, 1929, a member of the crew of the power boat *Mocking Bird* reported to the United States Coast Guard section 9 base that the *Mocking Bird* had collided with some wreckage floating in midchannel. The board of investigation further found that the piece of wreckage with which the *Mocking Bird* had collided was not in the custody of the Coast Guard at the time of the collision, nor was the collision the result of negligence on the part of the United States Coast Guard. Since the determination of the board no evidence has been brought to light which would alter the above conclusions.

The claim of A. F. Amory appears to be without merit, and I am therefore constrained to withhold my approval of H. R. 399.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 5, 1936.

The SPEAKER. The objection of the President will be spread at large on the Journal.

MR. MILLER. Mr. Speaker, I move that the veto message and the bill be referred to the Committee on the Judiciary and ordered printed.

The motion was agreed to.

STANLEY T. GROSS—VETO MESSAGE (H. DOC. NO. 488)

The SPEAKER laid before the House the following message from the President of the United States, which was read by the Clerk:

To the House of Representatives:

I return herewith without my approval H. R. 4031, "An act for the relief of Stanley T. Gross."

This bill provides that the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Stanley T. Gross the sum of \$500, in full settlement of all claims against the Government of the United States for the amount of a United States Treasury bond which he deposited in behalf of Stanislaw Walczak, an alien, who has been deported.

The alien, Walczak, was under deportation proceedings for illegal entry into the United States. In those proceedings he was released under \$500 appearance bond furnished by Stanley T. Gross. The conditions of the bond were that Walczak would be delivered to the Immigration Service for hearing or hearings or for deportation.

Walczak's deportation was ordered, and Mr. Gross, the bondsman, was notified by registered letter dated October 9, 1929, to surrender Walczak for deportation on October 19, 1929. Mr. Gross failed to deliver the alien and the bond was declared breached. With the exception of writing a letter to Walczak informing him that he should appear for deportation, Mr. Gross apparently made no effort to locate and deliver the alien, who was later apprehended by immigration authorities without any assistance by the bondsman and deported on July 5, 1930.

When Mr. Gross deposited the bond he was undoubtedly aware of his responsibility to produce the alien upon call of the Government. If such laxity, as indicated in this instance, on the part of bondsmen in immigration cases is to be excused, the effective administration of the immigration laws will suffer serious impairment.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, May 6, 1936.

The SPEAKER. The objection of the President will be spread at large upon the Journal.

MR. RAMSPECK. Mr. Speaker, I move that the message of the President and the bill be referred to the Committee on Claims and ordered printed.

The motion was agreed to.

PERMISSION TO ADDRESS THE HOUSE

MR. GOLDSBOROUGH. Mr. Speaker, I ask unanimous consent to address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

Mr. SNELL. Mr. Speaker, reserving the right to object, I would like to ask a question. Is it the intention to call up any more business this afternoon?

The SPEAKER. The Chair knows of no other business to come before the House this afternoon.

Mr. SNELL. I have no objection to the gentleman making a speech.

The SPEAKER. Is there objection to the request of the gentleman from Maryland [Mr. GOLDSBOROUGH]?

There was no objection.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield to me to prefer a unanimous-consent request?

Mr. GOLDSBOROUGH. I yield.

PUERTO RICAN INDEPENDENCE

Mr. MARCANTONIO. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mr. MARCANTONIO. Mr. Speaker, today I have introduced a bill providing for the sovereignty of Puerto Rico.

Several days ago a bill was introduced in the Senate by Senator TYDINGS offering apparent independence to the people of Puerto Rico. Instead of offering genuine independence to the people of Puerto Rico, his bill offers them an American-controlled plebescite and a commonwealth which will be under the thumb of the American Government. The independence subsequently offered by the Tydings bill would be considerably curtailed by the menacing presence of an American naval reservation, the scene of the Atlantic fleet maneuvers, on their supposedly sovereign territory. At the same time the Tydings bill, with its tariff provisions, threatens to ruin the only present source of Puerto Rican income, which is the sale of their cash crops in the American market. His bill does not provide for the development of substitutes for the dominating and American-dominated sugar industry.

Such a bill is not desired by the Puerto Rican people, as their concerted protest shows. They would welcome real and absolute independence; and the American people, who once themselves formed a colony of the British Empire, have no desire or interest in being lords and masters of a smaller and weaker nation. Only those gentlemen who stand for reaction in America, the American Tories, the banks and sugar corporations, who have kept the Puerto Rican people in hunger and misery, are interested in Puerto Rico as a colony, not only for their profits but also as a fortified war base. If we really want to be the initiators of a Pan American peace conference, let us be honest and clear in our dealings with the peoples of our sister republics. That means that one of the bases of peace is the freedom of nations.

It is in viewing this question fairly and from the point of view of the interests of the American people, as well as the desires of the people of Puerto Rico, that I have presented my bill.

The dignity of the American people as a freedom-loving Nation demands that Puerto Rico be judged under the principle of self-determination of nations. This means that the United States remove completely and forever all interventions, all fingers from the affairs of the Puerto Rican people. This means that it grant complete sovereignty to the Puerto Rican people so that as a nation among other nations of the world Puerto Rico may work out its own destiny in such manner as it sees fit. Such complete independence will do much for real harmony in the Americas.

Genuine independence and the declaration of the responsibility of the United States for the present disastrous state of the economy of Puerto Rico and the abysmal poverty of its people is the purpose of my bill.

Puerto Rico, taken as the booty of war from Spain in 1898, has been successively ruined.

Four large American sugar corporations own over half of the good sugar land and produce over half the total crop. Sugar now composes about 75 percent of the exports of the island, whereas tobacco and coffee have been relegated to the background. The once landowning farmers dispossessed by the huge sugar plantations today work the unfertile moun-

tain soil or are landless. Only 7 percent of the native dwellers in the rural regions are landowners in Puerto Rico, an agrarian country. Over the heads of these small farmers hangs a total mortgage debt of about \$25,000,000. For years they have been unable to pay taxes.

The landless peasants have been converted into a great army of colonial slaves in the sugar plantations or are unemployed. The reports of the Puerto Rican Department of Labor for 1935 show an average wage for male workers in the sugar fields of \$3.34 per week and for female sugar workers of \$1.96 per week. This same wage scale runs through the other island industries and in tobacco and coffee they are much worse.

The lack of industry and the conversion of the island into a huge sugar-producing factory has meant a great toll in unemployment. The F. E. R. A. in Puerto Rico for February 1936 reports a total of 408,000 fathers of families in need and soliciting work or relief, a figure which includes 84.4 percent of the population.

Even in 1927 Governor Roosevelt pointed out the high percentage of tuberculosis, hookworm, malaria, and other diseases directly caused by the hunger of the people.

Responsible, therefore, for this misery, hunger, and disease is the maintenance of Puerto Rico as a colony of the United States, thus giving ample room for American interests to penetrate as deep economically as they wished while the Puerto Rican people could not develop their own country. But the Puerto Rican people have manifested their refusal to take this situation lying down. The great pressure for independence in the island is undoubtedly a determining factor in the sudden appearance of the Tydings bill with its apparent independence.

I propose that the United States take its hands off and let the Puerto Rican people do as they wish with their own country. The hunger and misery, the economic catastrophe, can certainly be laid at the door of the policy of the United States in Puerto Rico whether it is the do-nothing policy of Hoover or the do-very-little policy of Roosevelt.

Those people who favor the continuation of this "shame of the Americas", which is Puerto Rico as a colony, are trying to make it appear as though independence means more hunger for the people. The Tories know that such a statement is a solemn lie. It is, to say the least, unfortunate that the Tydings bill with its provisions for a tariff on Puerto Rican products has added fuel to their flames.

My bill proposes that there be no tariff on Puerto Rican products shipped to the United States until the people of Puerto Rico so desire.

This is done so that Puerto Rico may have the necessary chance to build up her own industry and develop trade with whom she sees fit for her best advantage. Neither shall there be any restrictions on Puerto Rican immigration. These principles are to be ratified in a treaty between the two nations made 90 days after the new government of Puerto Rico expresses its desire to begin discussion. In the interim between the proclamation of independence and the signing of this treaty the present status quo in regard to trade relations is to be maintained. In this way there would be avoided as far as possible an undue cracking of the whip over the new nation.

Furthermore, in the 38 years that Puerto Rico has been a possession of the United States American citizens have extracted from the economy of the island over \$400,000,000 which never returned to Puerto Rico for the well-being of its people or the development of its resources. This simple fact, verified by the Brookings Institution in 1929, is a major reason for the present difficulties of the people of Puerto Rico. That huge sum of money and the promise of more is why the American reactionaries try to make a genuine independence appear as a mistake and harmful to the people of Puerto Rico. But the hunger is the result of imperialist domination, and that is the real enemy of the Puerto Rican people.

I believe that it is only consistent with the dignity of the American people that a substantial indemnity be paid to the long-suffering people of Puerto Rico to make up in part for the years of hardship that they have undergone and to

enable them to better find their feet and take boldly the path of freedom they ardently desire.

These are the principles of my bill. To the Tydings bill for fictitious independence I propose genuine and immediate independence. I also believe in presenting this bill that the Puerto Rican people should hold no illusions. Only their own united strength, the formation of an anti-imperialist front of the whole people against the foreign dominators and their own national traitors is the best guarantee of achieving independence. Waiting for the Tydings bill or my bill, or any other bill to grant them independence on a silver platter, would be a great mistake. Behind them will stand the overwhelming majority of the great American people, who hate oppression and love freedom.

It is up to the people of Puerto Rico to take the initiative, and the more they develop that and make it known to the entire world the better are the chances of the passage of my bill and the achieving of independence.

APPROPRIATIONS FOR THE STATE DEPARTMENT

Mrs. O'DAY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. Is there objection?

There was no objection.

Mrs. O'DAY. Mr. Speaker, for good or for evil, the United States has definitely entered the world's great armament competition.

Congress has appropriated half a billion dollars for military defense and another half billion or more for naval defense. It has authorized the building of two great battleships, at an approximate cost of \$50,000,000 each.

What appropriation has it made for the country's first line of defense, the Department of State, which is the channel through which our negotiations with the nations of the world are carried on?

The far-flung outposts of this Department are to be found in every country in the world and in the remotest sections of these countries. A heavy responsibility rests upon those who represent us at these outposts. They watch the trend of events around them. They interpret and transmit them to the Department heads at Washington. They must be alert to foresee and to obviate possibilities for international misunderstandings. They must remove the small irritants that inevitably creep into all relationships, whether of trade and commerce or diplomacy. They must see to it that the lives as well as the interests of our nationals are safeguarded in their territories. They must keep watch lest a slight clash of interest grow into a breach of international peace, and it may often be that the delicate balance between war and peace is maintained through their good judgment, their integrity, and courage.

Because of its paramount importance our Department of State outranks all other departments. It is the acknowledged foundation upon which our whole structure of peace is reared, and Congress has appropriated to it for the coming year the pitifully inadequate sum of \$16,111,934.

Compare this with the cost of one battleship.

APPOINTMENT OF ONE CONFEREES ON DEPARTMENT OF AGRICULTURE APPROPRIATION BILL, 1937

Mr. CANNON of Missouri. Mr. Speaker, will the gentleman yield to me to make a request?

Mr. GOLDSBOROUGH. I yield.

Mr. CANNON of Missouri. Mr. Speaker, in view of the death of Mr. Buckbee, of Illinois, one of the conferees on the Department of Agriculture appropriation bill, I ask that the gentleman from New York [Mr. TABER] be appointed as a conferee on the bill in his place.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The SPEAKER. Without objection, the gentleman from New York [Mr. TABER] is appointed a member of the conference committee on the Department of Agriculture appropriation bill, and the Senate will be informed accordingly.

There was no objection.

The SPEAKER. The gentleman from Maryland [Mr. GOLDSBOROUGH] is recognized for 10 minutes.

POVERTY IN THE MIDST OF PLENTY

Mr. GOLDSBOROUGH. Mr. Speaker, on April 27 and 28 hearings were held in the House Committee on Banking and Currency on H. R. 9216. The hearings will be printed and I believe are of great interest to every Member of the American Congress, to every citizen of the United States, and to every citizen of every civilized country.

Without going into detail, the bill, I think, embodies the first legislative attempt to achieve a distribution to the people of all the wanted goods and services which the country can produce; in other words, it attempts to attack directly the problem of poverty in the midst of plenty.

During the hearings an elderly lady, who stated that her name was Patterson, spoke to me in a kindly manner about the bill. A few days afterward I received from her a communication which appears to me to be so much more than a personal letter that I think I should read it at this time:

APRIL 30, 1936.

HON. T. ALAN GOLDSBOROUGH,

House of Representatives, Washington, D. C.

DEAR MR. GOLDSBOROUGH: I tried in vain the other day to give some adequate expression to my appreciation of the splendid work you are doing with your bill, 9216, but only succeeded in saying a few awkward words. I cannot, therefore, now refrain from trying to tell you of my admiration and respect for your courage and perseverance in your long and uphill fight for a decent life for the American people. I am sure of the ultimate triumph of social-credit principles, but I see many hard, dark days ahead of us. Still, as in every other worth-while cause, we must work on, even when there is no hope.

I am leaving soon for England and am going largely to see something of social-credit work there. And it will be one of my greatest joys to tell them of the Goldsborough bill and the good fight being waged in its behalf.

The enclosed card contains a feeble attempt to express my feelings on the situation.

Please do not trouble to reply. I only want to convey some idea of my feelings to you.

Very sincerely yours,

ANN C. PATTERSON.

The card referred to in the letter is as follows:

THE NEW CREED

I believe in the earth
And the fullness thereof;
In man and his labor;
In the machine,
Man's supreme masterpiece,
With which he has created,
And is still creating,
Abundance for all.

We are crucified daily and suffer,
Because we haven't money to buy
That which we produce.

We have descended into hell—
The hell of hunger, nakedness,
And economic insecurity.

We can arise from this hell
And ascend into heaven—
The heaven of plenty for all.

I believe in that new economics,
Which is a communion,
Not of saints,
But a communion, in which
All will partake.

And I believe in a resurrection
From despair, suffering, and uncertainty
And in life abundant.

—A. C. P.

On yesterday, upon my request, the lady consented that I make use of her communication at this time. [Applause.]

PROTECTION OF AMERICAN LEGATION IN ADDIS ABABA

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, I wish to be absolutely fair in this matter, and because I do wish to be so fair I have introduced today in the House of Representatives a resolution, which I will read:

Resolved, That the Secretary of State is hereby requested to transmit forthwith to the House of Representatives (1) full and complete information as to what steps were taken by the Government of the United States to provide, in connection with the Italo-Ethiopian War, for the protection of the American Legation

in Addis Ababa, and, in connection with the recent looting of that city, for the protection of the lives of American citizens taking refuge in such Legation; and (2) copies of all communications between the Department of State and the American Minister in Addis Ababa in respect of such looting and in respect of any action taken or proposed or ordered to be taken in connection therewith.

Mr. Speaker, all the information we now have is what we have secured through the press or that I have secured from the Department of State by telephone. I want that information verified. The State Department knew for weeks and months that there would be danger of grave disturbance of looting and worse. The State Department knew that the people in our Legation might need protection. Mr. Speaker, what was done to protect our Minister and his wife, the naval radio operators, and the personnel attached to that Legation? So far as I can tell, there were only four guards there, and they were natives, to defend the Legation.

The United States Legation at least, Mr. Speaker, could have had machine guns there and other equipment.

The gentleman from Pennsylvania has asked me the question that if we had protected our Legation with machine guns, would not that tend to get us into war, especially if a shot were fired for protection. Mr. Speaker, there were plenty of shots fired by the defenders of our Legation, and we are not at war. Those shots were fired against looters and bandits, not against an organized soldiery of Ethiopia. We have a right to protect our property against such wherever it may be located. It was a pity, however, that our Legation did not have adequate arms, in the form of machine guns, to insure such protection as was needed.

We at least, Mr. Speaker, could have done as the British did, had trained men there, or men ready to defend our people.

I think my colleagues in Congress would agree with me that it is very humiliating that we had to appeal to the British Government for protection instead of having our own men there to protect our rights.

I know the House will join me in thanking the Minister and Mrs. Engert. I know they are as proud as I am that Mrs. Engert, according to dispatches, assisted personally in the defense of the Legation. It proves that the wives of our ministers and officers in the Foreign Service are just as brave as the men. They do not ask protection first for themselves, but fight shoulder to shoulder with the men.

All of us are grateful, too, for the work of those able naval radio operators. If it had not been for them everyone in our Legation would have been lost. The Congress will want to thank them also.

Mr. RICH. Mr. Speaker, will the gentlewoman yield?

Mrs. ROGERS of Massachusetts. I yield.

Mr. RICH. Was it not the duty of the League of Nations to protect that small country in northern Africa, Ethiopia?

Mrs. ROGERS of Massachusetts. I am not going into that at this time, I may say to the gentleman from Pennsylvania. I am just taking up now the matter of the duty of the State Department, which had full information at hand, and I am speaking also, I would say to the gentleman from Pennsylvania and the Members of the House, in order that from now on we may have adequate protection in similar situations for the officers and employees of our Foreign Service, for our nationals and our missionaries. I am asking also that we have an adequate and suitable Legation. Ours was the only Legation, I understand, that was situated just in the center or dangerous part of Addis Ababa, instead of being situated 5 miles away, where the British and other Legations are located.

Newspaper accounts of the rioting there and the cables of Minister Engert to the State Department indicate that the Legation was practically defenseless and virtually unarmed. A few rifles, shotguns, and revolvers were the only weapons at the Legation. An Italian submachine gun was later procured through the good offices of an Abyssinian policeman. Americans in the Legation, as well as their native employees, men and women both, were in the gravest peril, and two of the latter were wounded.

Grateful as we are to the British for coming to the rescue of our Minister and citizens and those whom we employed, it still seems to me that our own Government should have supplied some protection.

The rioting and rebellion had been predicted for some time, and it seemed only reasonable to expect that the State Department should have taken some precautions to guard American lives and property. The British had a Legation guard on hand, and if our diplomats had not been able to profit by their foresight, a horrible tragedy would have resulted, with the death of Americans and their wives at the post of duty through the negligence of their own Government.

Legation guards are not a new thing in our history. We have maintained them for years in the Orient, and the slightest thought would have indicated the necessity for similar precautions in Addis Ababa.

My resolution calls for full information on this matter, including all correspondence on the subject, as well as an explanation of why our Legation was left unprotected. It seems to me that when the State Department anticipated the break-down in communications it might also have anticipated the rioting and made arrangements accordingly. A few machine guns sent to Ethiopia along with the radio equipment would have obviated the necessity of invoking the aid of another nation to protect our own citizens. [Applause.]

[Here the gavel fell.]

SECURITY FOR THE PEOPLE OF PENNSYLVANIA IS IMPOSSIBLE UNLESS THE DEMOCRATIC PARTY OBTAINS CONTROL OF THE STATE LEGISLATURE

Mr. ELLENBOGEN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including therein an address which I delivered before the Pittsburgh Federation of Labor.

Mr. RICH. Mr. Speaker, reserving the right to object, are these the gentleman's own remarks?

Mr. ELLENBOGEN. Yes.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. ELLENBOGEN. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include my address before the Thirty-seventh Annual Convention of the Pennsylvania State Federation of Labor at Uniontown, Pa., Friday, May 1, 1936, as follows:

Pennsylvania today stands at the crossroads. Pennsylvania today is divided into two separate forces—the force of liberalism led by Gov. George H. Earle, and opposed to it—the force of stark reaction, as represented by the Grundy and utility-controlled Republican majority in the State senate.

THE PASSAGE OF SOCIAL LEGISLATION DEPENDS ON THE VICTORY OF THE DEMOCRATIC PARTY

I am not a prophet and have no inclination to predict what may be accomplished at the special session of the State legislature which will convene next Monday, but I am firmly convinced that adequate social legislation and labor legislation will not be enacted into law unless the Democratic Party will capture a majority of the seats of the State senate and will continue control of the house of representatives at Harrisburg for the next regular session to convene in January of next year.

THE KEYSTONE OF A PROGRAM FOR THE KEYSTONE STATE

As regards permanent legislation, the keystone of an enlightened legislative program in Pennsylvania must be the passage of genuine social legislation. In his message to Congress on June 8, 1934, President Roosevelt said that "among all our objectives I place the security of men, women, and children of the Nation first." This is even more true of Pennsylvania than of the nation as a whole. The President designated these objectives as:

First. Decent homes to live in;
Second. Development of natural resources to afford the fullest opportunity for all who want to work; and
Third. Safeguards against the major misfortunes of life.

The Social Security Act is concerned with the third of Roosevelt's objectives; that is, safeguards against misfortunes that cannot be eliminated in this man-made world of ours.

That act provides for unemployment insurance, old-age pensions and old-age insurance, security for children, aid to the blind, extension of public-health services, vocational rehabilitation.

I should like to talk to you today more fully about the two main provisions of this act—old-age pensions and unemployment insurance.

First, however, I should like to tear out and exhibit to you a few black pages from the tragic history of old-age-pension legislation in Grundy's Pennsylvania.

PENSION LEGISLATION BASED ON DECEIT

On May 10, 1923, the State legislature in Harrisburg passed an old-age-pension act. This action was dishonest, because insufficient funds were appropriated. Only \$25,000 was appropriated for a 2-year period—a sum which could not even begin to administer the law in even one of the 67 counties of this State. The petty appropriation of \$25,000, when an appropriation of thirty million was required, was a cruel joke at the expense of the aged of Pennsylvania. It was a deliberate fraud on the needy old people of Pennsylvania. Instead of extending sympathy and help, the State legislature handed them a joker. Although not carried out for lack of appropriation, the mere paper existence of this miserable old-age-pension law was more than the vested interests in control of this State would permit.

SEVEN OLD MEN SHOUT "NO"

The Supreme Court of Pennsylvania declared this old-age-pension law unconstitutional.

Every attempt since then to amend the State constitution has been prevented by the same group of reactionary members of Mr. Grundy's Manufacturers' Association, the feudal lords of the utility empire, the State chamber of commerce and their paid tools. No decent and adequate social-security legislation will be possible in Pennsylvania until our antiquated State constitution is revised. And, delegates, you know who defeated the constitutional referendum last fall.

A POORLY EXECUTED PAUPER LAW

The 1933 session of the legislature passed a so-called old-age pension assistance law, which, in fact, was an old-age pauper law. This act is so inadequate and so limited in its application that it fails to comply with even the modest standards required under the Federal Social Security Act. The Federal act provided that the Federal Government would match, dollar for dollar, all old-age pensions paid by the various States in the Union, provided, however, that the State law would include certain minimum standards of decency in making provisions for the aged. The Pennsylvania law is below these minimum standards.

INDICTED ON EIGHT COUNTS

I present the following indictments against the Pennsylvania Old-Age Assistance Act:

Indictment no. 1: It limits old-age payments to paupers only. It provides that old people who possess more than \$300 in personal property, even if they have no income, are not eligible for these small payments.

Indictment no. 2: It provides for payment of \$30 a month, which are indecently low and shamefully insufficient.

Indictment no. 3: It denies medical aid to the aged needy and provides for less than a mere bread-and-water diet.

Indictment no. 4: It provides for continuous residence of 15 years in the State, or, if not continuous residence, for a total of 40 years of residence in the State. This provision unjustly disqualifies thousands of needy aged in this State.

Indictment no. 5: It provides for an age minimum of 70 years, when it is essential that pension payments begin at 60 years.

Indictment no. 6: Insufficient funds have been appropriated, thereby denying aid to about two-thirds of the qualified and needy aged of Pennsylvania.

Indictment no. 7: It fails in many other respects to meet the minimum requirements of the Federal Social Security Act.

Indictment no. 8: Its extreme restrictions and inadequate provisions will deny to Pennsylvania at least \$20,000,000 in Federal funds each year, which could take care of 80,000 needy aged in Pennsylvania.

The present Pennsylvania old-age pauper (rather than pension) law denies pensions to those under 70 years of age.

THE GRAVEYARD PENSION

My friends, an age minimum of 70 years is far, far too high. In our modern industrial system, when many of our mines, mills, and factories throw the workman on the industrial scrap heap when he is 45 years of age, it is a travesty on justice to compel him to wait until he is 70 years old before he can receive assistance from the State. The people of Pennsylvania want an old-age pension and not a graveyard pension. Old-age pensions should begin at 60 years.

A DOLLAR-A-DAY EXISTENCE

The maximum allowed is \$30 a month, which is far too low. It is insufficient for an aged person to live in decency and minimum comfort on this small amount. But even that small sum is never paid. Under a ruling by an attorney general of this State, old-age assistance payments must be limited to payments for rent, food, clothing, and fuel. Not one cent is permitted for medical care for the aged. The average allowance in Allegheny County is \$25.40 a month, and \$20.93 in the State as a whole.

THE DEATH WATCH

But here is the cruelest and most astounding defect: The legislature deliberately and wantonly refused to appropriate sufficient funds to meet the payments due. Here are some figures: When the law took effect December 1, 1934, 10,563 applications were filed in Allegheny County by persons 70 years of age and over. Of these, 3,735 were given small pensions and 6,617 were placed on a waiting list. On May 1 of last year there were 4,000 on the pension lists and more than 8,000 on the waiting list. Two-thirds of the needy aged of Pennsylvania who were eligible under this strict State law were on the waiting list, because insufficient funds had been appropriated.

At the beginning of this year there were 39,574 persons receiving so-called old-age pensions in Pennsylvania, and more than 100,000 eligible old and needy persons were on the waiting list—waiting for what—for the death of some other aged so that they may inherit his place on the pension list.

What a list this is, a list composed of old men and women whose health and energy have been spent in building up the resources of this country, a list of old men and women who have qualified under one of the strictest laws for old-age pensions. Their reward is not the receipt of a small pension check but a seat outside giving them the privilege to look in and wait until death will take some other aged person to his eternal reward and thus make room on the pension list. What a tragedy on justice! What a travesty upon law! What a colossal hoax to play upon our fathers and mothers!

A FRAUD ON THE AGED

Only \$10,000,000 were made available for these payments when the execution of the law required a minimum of \$25,000,000. What is the use of passing a law to pay pensions to needy aged of 70 years or more and then refusing to appropriate the money necessary for the payment of these pensions? Do I need to cite to you more facts and figures to prove that the Republicans in control of the State legislature have committed a fraud upon every man, woman, and child of Pennsylvania—a heinous fraud upon the aged.

WATCH THE GANG

The Governor of Pennsylvania has summoned the State legislature in special session to convene at Harrisburg next Monday. You can depend on Governor Earle to do his part in promoting the passage of adequate old-age-pension legislation at this special session. You can depend on the Democratic members of the house of representatives to do their part. But watch the Republican gang in the State senate!

These changes should be made in our old-age assistance law:

First. The age limit should be reduced from 70 years to 60 years.

Second. The requirements of the Federal Social Security Act must be met.

Third. Sufficient money must be appropriated to pay pensions to all who are eligible. The waiting list—this death watch—must be abolished.

UNEMPLOYMENT COMPENSATION

While we have an inadequate old-age-pension law, we have no law at all for unemployment insurance. The State senate refused to take even the first step toward meeting the Federal requirements for setting up an unemployment-insurance system.

The provisions for unemployment insurance are among the most important of the Social Security Act. I do not believe that these provisions are perfect. Indeed, I have criticized them because they do not go far enough. But it is a beginning. It does establish a foundation from which we can build an adequate and just system of unemployment insurance.

THE PAY-ROLL TAX IS ALREADY COLLECTED

Under the Federal act the Government levies a pay-roll tax beginning with 1 percent in 1936, 2 percent in 1937, and 3 percent in 1938 and each year thereafter. The employers are not permitted to deduct this tax from the wages of their employees. This tax is paid into the Federal Treasury, but in those States where unemployment-insurance laws are enacted, 90 percent of this tax is retained for the benefit of the unemployed of the State.

TWO HUNDRED MILLION IN 3 YEARS

Thus in the State of Pennsylvania the employers will pay the following amounts into the Federal Treasury: About 25 million dollars in 1936, about 50 million in 1937, and 75 million in 1938, or a total of 150 million in the next 3 years.

This is based on the present pay-roll figures. If there is a further increase in business, the employers of Pennsylvania will pay about \$200,000,000 in the next 3 years.

The purpose of this tax is not to collect revenue but to induce the States to enact adequate unemployment-insurance systems. If Pennsylvania had an unemployment-insurance law, all but 10 percent of these \$200,000,000 would be retained in Pennsylvania for the payment of unemployment-insurance benefits. But so reactionary and so short-sighted have been the Republican members of the State senate that they have blocked the bill to retain this huge sum for the benefit of the jobless of Pennsylvania.

They are so blind and so stupid that they would lose this vast sum rather than permit the enactment of any social legislation, even if such social legislation will benefit the Pennsylvania jobless and thus benefit trade and industry in Pennsylvania.

THE LEGISLATIVE SODOM AND GOMORRAH

The Pennsylvania State Legislature failed to enact an unemployment insurance law despite the efforts of Governor Earle. The Governor and his associates sponsored and secured the passage of an unemployment-insurance law in the lower house. This bill was well on its way toward enactment until it reached the State senate—the last remaining stronghold of reaction in this State.

BURIED IN COMMITTEE

There it was slaughtered. There it was effectively and viciously killed in committee—in the same graveyard where lie the remains of all proposals for social legislation. Why did the rubber stamps of the utility and Grundy interests kill this unemployment insurance bill? Certainly not on the grounds of economy. It would have cost the employers less than one-tenth of 1 percent of their total pay roll. While they would have paid out about two and

one-half million dollars, a total of twenty-five million would have been made available for unemployment compensation payments.

Not only would this not have been a burden on industry and commerce in Pennsylvania but a distinct benefit by making available an additional amount of purchasing power. Regardless of its merits, regardless of its provisions, the unemployment insurance bill was promptly killed by the Republican-controlled State senate in Harrisburg, simply because it was social legislation. These reactionary senators would rather lose millions of dollars than take a single step in the direction of social legislation. For this reason they pickled the unemployment insurance bill in a committee of the State senate without reading it, without studying it, and certainly without understanding it.

THE PALLBEARERS

Who were the senate stalwarts who blocked the road to security and killed this important bill by burying it in committee? They were an aggregation of puppets, controlled and discredited henchmen. These were the pallbearers. When you know the associations and backers of these gentlemen you have no further need to understand why this, and every other piece of social legislation, was killed in the State senate.

REPUBLICANS BETRAYED PEOPLE

The action of the Republican-controlled State senate in scuttling this bill is a betrayal of every man, woman, and child in Pennsylvania. It is a betrayal of the people of Pennsylvania by the puppets of the short-sighted reactionary industrial barons. It was a cowardly betrayal of the people, because these reactionary senators did not have the courage to vote against this bill openly, but killed it in committee, the usual and consistently effective slaughterhouse of all decent legislation.

In killing this bill these Republican senators have killed every chance they ever had of coming back into power. They have committed political suicide. They should, and most certainly will be, retired to political oblivion.

RIGHT A WRONG

The special session beginning Monday must correct this wrong. An unemployment-insurance bill must be enacted without delay. Every thoughtful person must agree that the unemployed must not be permitted to starve. Is it not far better to take care of the unemployed through a system of unemployment insurance than through the degrading system of dole and relief? This choice must be made. Pennsylvania must fall in line with the progressive States. The people want unemployment-insurance laws.

PUNISH THE GUILTY

Whoever stands in the way must be swept aside by the ballot. When the people realize that the Republican majority in the State senate is responsible for depriving them of the unemployment-compensation benefits to which they are entitled under the Federal law, they will defeat every opponent of social security.

The State Federation of Labor in Pennsylvania should insist that the State legislature, which will meet in Harrisburg next week, passes an unemployment-insurance law. Labor should leave no doubt in the mind of the Republican leadership in the State senate that it is insisting on the passage of a proper unemployment-compensation measure.

THE CONTRIBUTORS

No unemployment insurance is adequate, no unemployment insurance system is sound unless it recognizes the principle that contributions should come from these two sources only:

1. From a tax imposed upon the employers, and
2. From a contribution made by the State itself.

At the present time unemployment relief is paid for entirely out of public funds. To put the burden of unemployment insurance entirely upon industry and commerce is unsound, because business and industry is only partly responsible for unemployment. The policy pursued by the Government is partially responsible for unemployment.

DISTRICT OF COLUMBIA HAS MODEL MEASURE

Of all the State unemployment insurance laws so far enacted only one, that in the District of Columbia, which I had the privilege to sponsor, provides for a contribution by the State. But let it be remembered that outside of the United States of America there is not one country which has an unemployment system to which the States do not contribute.

LABOR IS EXEMPTED

The second principle which must be included in a sound unemployment-insurance system is the principle that there should be no contribution by labor. The reason is obvious.

First. If the employers contribute to unemployment insurance by a pay-roll tax the amount of the tax is passed on in increased prices. That means that the cost of unemployment insurance becomes a part of the cost of production and that is as it should be. The cost of idle machinery, the overhead of a plant goes on whether the plant is operating or not. The maintenance cost of idle machinery is a part of the cost of production and idle manpower must also be charged up under the same heading.

Second. The employer who contributes to unemployment insurance does not pay for it himself but passes it on to the consumers in the form of increased prices. In reality it is labor which pays for it as consumers. If labor would have to make direct contributions it would pay twice.

Third. To exact contributions from labor would directly and substantially decrease the purchasing power of the employees and to that extent it would bring about more unemployment instead

of less and thus tend to defeat the very principles of unemployment insurance.

There are many provisions which are of vital importance and which determine the soundness and the desirability of an unemployment insurance law. They are too many for me to discuss today. I shall only mention one of them which I consider of the greatest importance. I am referring to the insurance coverage.

The Roosevelt program for social security provided for unemployment insurance for all employers having four or more employees. This was changed in passage in the House to 10 or more employees. The Senate again reduced it to four or more employees, and in conference it was fixed at eight or more employees. That is the final form of the bill and the Federal law today. Of course, do not forget that the Federal law provides for a minimum and does not prevent any one State from fixing a greater coverage.

ALL EMPLOYEES SHOULD BE COVERED

No State unemployment-insurance law is sound unless it covers all industrial and commercial employees in the State. A man who works in a shop which only employs three or two or even one employee is as much entitled to protection against periods of unemployment as the man who works in a mill which employs thousands of employees. The bread line and the soup kitchen and charitable relief are as distasteful to the man who works in a small establishment as they are to the man who works in a large mill or mine. The only sound provision and the only practical provision is one which covers every single person employed in industry and commerce. There is only one law that does that—the unemployment insurance law for the District of Columbia. It is the only one which covers every employer who has one or more employees.

We in Pennsylvania should insist that the State act should cover all industrial and commercial employers who employ one or more persons.

DREAMS COME TRUE

The Federal Social Security Act combines into one law all of the forms of social-security legislation which labor leaders and liberals have dreamt about but scarcely hoped to accomplish. The fear of insecurity will be banished. Security, comfort, and peace of mind will become living realities if the provisions of the Federal Social Security Act are put into effect through the coordinated action of the States and are then further expanded.

PRESIDENT ROOSEVELT IS ENTITLED TO THE GRATITUDE OF LABOR

If the Roosevelt administration had accomplished nothing else than to establish this vast and noble system of social security, it would be entitled to your everlasting gratitude and deserving of your vote.

Add to that the Wagner Labor Relations Act, which recognized—gives the force of law to—labor's right to collective bargaining; labor's right to join unions of their own choosing and to be free from coercion, compulsion, and intimidation. This is the most important labor measure ever enacted in American history. Labor should show its appreciation to those who have made the enactment of this act possible.

ROOSEVELT FOES ARE LABOR FOES

Because President Roosevelt was a friend of labor and supported the passage of such measures as the National Labor Relations Act, he earned the bitter and vicious enmity of powerful and influential interests. They are spending millions of dollars to bring about his defeat. It is up to labor to recognize its friend by supporting him and helping him against his enemies—for every enemy of Roosevelt is an enemy of organized labor. Labor should show its appreciation for the friendship shown by President Roosevelt by supporting him unanimously for reelection.

SOME NEW-DEAL ACTS

I should like to cite to you the huge appropriations for relief, for public works, for financial aid to home owners and the small businessman. The Guffey Coal Act, the utility holding-company bill, the new Banking Act, including insurance for bank deposits, the Securities Act; these and many other acts of a definite beneficial nature were enacted. All of them benefited you in one way or another.

ROOSEVELT OR REACTION

I want to say to you that in the coming election there will be only two classes of candidates—liberal or reactionary. You must choose between the two. Let me tell you, here and now, that every vote for a third-party candidate is a vote for conservative reaction. A vote for any other candidate, except Roosevelt, is a vote for the American Liberty League. This is not time for labor to be divided on minor issues, or follow the propounders of high-sounding phrases, or cheer for every type of Moses who promises to lead you to a new Utopia.

I ask you to endorse and support Franklin D. Roosevelt, the man, the true American, the successful administrator, the proven friend of the people, and the champion of humanity. No matter what your party affiliation may be, you owe it to yourself and your family to support Roosevelt. I repeat, a vote for any other candidate, no matter what his party or platform, is a vote for the candidate of the Du Ponts, the Grundys, the sweatshop proprietor, the exploiter of labor, oppressive utility interests, and the financial tyrants.

LABOR LOSES IF ROOSEVELT LOSES

It took a generation to build up the present labor movement in America. It took years and years of hard struggle to win for labor the benefits it now enjoys. I say to you, with all sincerity at my

command, that if Franklin D. Roosevelt is defeated, organized labor will lose every gain it made during the past 3 years. Not only that; if reaction sets in, if the conservatives gain control of the Government, the pendulum will swing violently in the opposite direction, and labor may lose not only its present gains but every progressive gain it has made for 50 years.

Nineteen hundred and thirty-six is the most crucial year in labor's history. Fifty years of hard-fought battles may be lost, and the fruits of many heart-rending victories of 50 years may be poisoned unless labor stands solidly behind Roosevelt.

SUPPORT ROOSEVELT

I again urge you to get behind Roosevelt. Your homes, your jobs, your future is at stake. You must fight to preserve them. It is your fight. It will be your victory and the victory of the people in the reelection, the overwhelming reelection, of Franklin D. Roosevelt.

THE REPUBLICAN PARTY IN CONTROL OF THE STATE SENATE WILL HAVE ITS LAST CHANCE DURING THE SPECIAL SESSION OF THE STATE LEGISLATURE TO COOPERATE WITH GOVERNOR EARLE IN LIBERALIZING THE OLD-AGE-PENSION LAWS OF THE STATE AND IN ESTABLISHING AN UNEMPLOYMENT-COMPENSATION SYSTEM IN PENNSYLVANIA

Mr. ELLENBOGEN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by including therein an address I delivered on the radio last Sunday on the subject of social-security legislation.

Mr. RICH. My Speaker, reserving the right to object, are these the gentleman's own remarks?

Mr. ELLENBOGEN. Yes.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. ELLENBOGEN. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include my radio address over station WJAS, Pittsburgh, Pa., Sunday, May 3, 1936, as follows:

Tomorrow evening the Pennsylvania State Legislature will be convened in special session in response to a call by Governor Earle. This is such an extraordinary occasion and presents such great opportunities for the passage of legislation in which you and I are interested that I want to devote this talk to it.

The Governor will lay before the general assembly a 17-point program, which will include appropriations for relief, abatement of tax penalties, and social-security legislation.

PENNSYLVANIA NOW LOSES MILLIONS OF DOLLARS OF FEDERAL FUNDS

The State of Pennsylvania now loses annually at least \$20,000,000 by failing to liberalize the old-age-pension law of this State in conformance with the requirements of the Federal Social Security Act. Further, Pennsylvania will lose the huge sum of \$150,000,000 in the next 3 years unless the State legislature passes an unemployment-insurance act.

THE FEDERAL SOCIAL SECURITY ACT WILL NOT BE EFFECTIVE IN PENNSYLVANIA UNTIL THE STATE LEGISLATURE COOPERATES

The Federal Social Security Act is not self-executing. It is not effective in any single State unless the State legislature passes State acts in harmony with the Federal Social Security Act.

The Social Security Act provides for unemployment insurance, old-age pensions and old-age insurance, maternity care, aid to the blind, vocational rehabilitation, and extension of the public-health services.

THE PENNSYLVANIA STATE LAW GOVERNS THE PAYMENT OF OLD-AGE PENSIONS IN PENNSYLVANIA

First I want to discuss the law relating to old-age pensions. Under the Federal Social Security Act the Federal Government matches every dollar which Pennsylvania pays out for old-age pensions. That is, the Federal Government repays to Pennsylvania one-half of whatever amount Pennsylvania pays out for old-age pensions, provided, however, that the Pennsylvania old-age-assistance law contains certain minimum requirements. The question whether a certain aged person receives an old-age pension in Pennsylvania, therefore, depends entirely upon the State act and not upon the Federal law.

This is the distinction which you must keep in mind if you want to establish the status of old-age-pension legislation as it applies to Pennsylvania. Since the terms of the Pennsylvania State old-age-assistance law determine the extent to which old-age pensions are paid in Pennsylvania, I would like to discuss them with you briefly.

PENNSYLVANIA HAS A PAUPER-PENSION LAW

Pennsylvania does not pay an old-age pension. Pennsylvania does have a pauper pension which it pays to needy, indigent citizens over 70 years of age to the extent that the money has been appropriated by the State legislature. In no sense of the word can the Pennsylvania act be called an old-age-pension law.

SOME FUNDAMENTAL SHORTCOMINGS OF THE PENNSYLVANIA OLD-AGE-ASSISTANCE LAW

Among the many defects of the Pennsylvania old-age-assistance law I would like to cite the following:

1. It limits old-age payments to paupers only. It provides that old people who possess more than \$300 in personal property should not receive pensions, even if they have no income and no friends. This provision is unfair to those old people who have laid aside a few hundred dollars for a decent burial and have no other estate.

THE AGE LIMIT OF 70 YEARS IS FAR TOO HIGH

2. It denies pensions to those under 70 years of age. An age minimum of 70 years is too high. In our modern industrial system when many of our industries throw a human being on the scrap heap at 45 years of age, it is a travesty on justice to compel him to wait until he is 70 years old before he can receive assistance from the State. The people of Pennsylvania want an old-age pension and not a graveyard pension. Old-age pensions in Pennsylvania should begin at 60 years of age.

PENNSYLVANIA PAYS ON THE AVERAGE THE PITIFUL AMOUNT OF \$20.93 A MONTH

3. The maximum allowed each aged person is \$30 per month. This is utterly insufficient. No one can live in decency on such a small monthly payment. However, even this small sum is never actually paid. Since the ruling by an attorney general of this Commonwealth that old-age assistance must be limited to payments for rent, food, clothing, and fuel, the monthly payments have been reduced from the \$30 per month allowed by law so that today the average payment to an aged person in Pennsylvania is \$20.93 a month.

PENNSYLVANIA DENIES MEDICAL AID TO THE NEEDY AGED

4. It denies medical aid to the aged needy and permits only a little better than a bread-and-water diet.

5. It requires continuous residence of 15 years in the State and in cases where the aged person may have been absent from the State for some period of time during the last 15 years, he must have been a resident of the State for 40 years before he can be eligible for a pension. This requirement is unfair and unreasonable. It disqualifies many needy and deserving old people.

WHY PASS AN OLD-AGE-ASSISTANCE LAW AND THEN REFUSE TO APPROPRIATE THE NECESSARY MONEY FOR IT?

6. But here is the cruelest and most astounding defect: The State legislature, under the control of the Republican Party, deliberately and wantonly refused to appropriate sufficient funds to meet the payments due. On the 1st of May last year there were 4,000 aged persons receiving pensions in Allegheny County, but there were more than 8,000 eligible needy persons on the waiting list, because there was no money available to take care of all who were entitled to pensions. At the beginning of the year there were 40,000 persons receiving old-age assistance in Pennsylvania, but more than 100,000 needy eligible persons were on the "waiting list" because there was no money appropriated for them.

THE "WAITING LIST" MUST GO

One of the saddest and cruelest episodes in the history of Pennsylvania is this distressing waiting list, a list composed of old and needy persons whose health and energy has been spent in building up the resources of this Nation, who have qualified under the strictest law for old-age pensions ever enacted, but who must wait in vain for the relief that is justly due them. Can you picture the untold suffering that these old people must endure during the months and years on the "waiting list", when they must wait for the death of some aged person so that they could inherit his place on the pension list? The army of the aged is forced to welcome the battalion of death that would take to their eternal reward those who have been receiving small monthly payments. What is the use of passing a law to pay pensions to needy aged over 70 and then refusing to appropriate the money to do so?

ABOLISH THE DEATH WATCH

The special session of the State legislature, which will convene tomorrow evening at Harrisburg, must enact a decent and adequate old-age-pension law that will meet at least all the minimum requirements of the Federal Social Security Act and which will begin payments at a reasonable age. Pennsylvania must appropriate sufficient money to pay pensions to all those who are eligible. The waiting list—this death watch—must be abolished.

You can depend on Governor Earle to do his part in the passage of an adequate old-age-pension law. You can depend on the Democratic members of the house of representatives at Harrisburg, but watch the remnants of the Republican Party which still controls the senate. The State senate, you know, is the slaughterhouse of all social legislation and the graveyard of all humanitarian measures.

PENNSYLVANIA HAS NO UNEMPLOYMENT-COMPENSATION LAW

While we have a very inadequate old-age-assistance law in Pennsylvania, we have no law at all regarding unemployment insurance. The Federal Government is already collecting a pay-roll tax from employers in Pennsylvania, but the Pennsylvania State Senate has thus far prevented all efforts to pass suitable unemployment-insurance legislation.

THE UTILITIES AND SHORT-SIGHTED MANUFACTURERS IN CONTROL OF THE REPUBLICAN MAJORITY OF THE SENATE PREVENTED THE PASSAGE OF AN UNEMPLOYMENT-COMPENSATION LAW

Pennsylvania will pay about \$150,000,000 in pay-roll taxes during the next 3 years. If a satisfactory State law is passed, 90 percent of this huge sum will be retained by Pennsylvania employers for the benefit of the State unemployment-insurance fund. For every two and one-half million dollars paid by the employers of this State, twenty-five millions would become available for unemployment compensation payments to the jobless. Still the agents of

the utilities and of reactionary manufacturers, in control of the Republican majority of the State senate, were so short-sighted that they prevented the passage of the unemployment-insurance bill during the last regular session of the State legislature, which would have assured this money for the benefit of our jobless.

Governor Earle and his associates sponsored and secured the passage of an unemployment-insurance law in the lower house at Harrisburg. It was well on its way toward enactment until it reached the Republican-controlled State senate where it was promptly and effectively buried in committee. Those of us who were shocked by this display of arrogance and calloused indifference on the part of the legislative agents of the industrial empires of this State can never forget and will never forgive the Republican leadership of Pennsylvania for killing this unemployment-insurance bill in a cowardly committee of the State senate.

THE SPECIAL SESSION PRESENTS THE LAST OPPORTUNITY OF THE REPUBLICAN PARTY OF PENNSYLVANIA TO PERMIT PASSAGE OF LAWS PROVIDING SECURITY FOR THE PEOPLE OF PENNSYLVANIA

The special session beginning tomorrow must correct this injustice. An unemployment-insurance bill must be enacted without delay. Every thoughtful person agrees that the unemployed must not be permitted to starve. It is therefore much better that the unemployed be cared for through a system of unemployment insurance than through the degrading system of dole and relief.

The bread line, the soup kitchen, and the charitable institution for the unemployed must be a relic of the past and never return in the future. Pennsylvania must fall in line with other progressive States and pass an unemployment-insurance law.

PENNSYLVANIA SHOULD FOLLOW THE ELLENBOGEN UNEMPLOYMENT-INSURANCE LAW NOW IN FORCE IN THE DISTRICT OF COLUMBIA

The unemployment-insurance law must be sound and workable. It must provide for contributions by the employers and by the State government. Pennsylvania should follow the model unemployment-insurance law which I sponsored for the District of Columbia and which insures every employee in an industrial and commercial concern against the hazards of unemployment.

GOVERNOR EARLE IS LEADING THE FIGHT FOR ECONOMIC SECURITY FOR THE PEOPLE OF PENNSYLVANIA

The Roosevelt administration at Washington has made a good beginning in setting up the machinery to administer the Social Security Act. The Earle administration at Harrisburg wants to cooperate with the Federal Government. If we are to have social security in Pennsylvania the mighty force of public opinion must be concentrated on Harrisburg to help release Pennsylvania from the strangle hold of the Republican majority of the State senate.

The liberal and progressive forces led by Governor Earle are now engaged in a major battle with the Grundy forces and the utilities agents. The reactionary elements in Pennsylvania will make another effort to block social-security legislation in the senate. In the interest and for the security of our people, in the interest and for the welfare of our State, I hope that the Pennsylvania State Legislature will liberalize Pennsylvania's pauper old-age-assistance law and thus obtain for Pennsylvania \$20,000,000 of Federal contributions toward old-age pensions. I hope that the Pennsylvania State Legislature will pass an unemployment-insurance law and thus save for Pennsylvania jobless and for the benefit of trade and industry in Pennsylvania \$150,000,000 in the next 3 years.

NATIONAL CEMETERIES

Mr. COLE of Maryland. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD in connection with amendment 42 to the War Department appropriation bill considered today.

The SPEAKER. Is there objection to the request of the gentleman from Maryland?

There was no objection.

Mr. COLE of Maryland. Mr. Speaker, amendment 42 of the War Department appropriation bill for 1937, which amendment relates to an appropriation for "cemeterial expenses", deals with the acquisition of land for national cemetery purposes.

While amendment 42 provided \$100,000 for such purposes, the amendment was in reality a compromise between the House and Senate, the original item being \$171,000, and that definitely earmarked for the purchase of additional land in the vicinity of Baltimore. With the word "Baltimore" stricken from the Senate amendment and the amount reduced, the bill as it passed today provides \$100,000 to be expended by the War Department for the purchase of additional acreage. The House conferees on this bill knew of my interest in this matter, and I want to thank them very much for the courtesy shown and their willingness to go along to the extent they did in making possible an amount which, I believe, will be sufficient to meet the present needs of the national cemetery in Baltimore. While the fund is not definitely labeled for expenses in Baltimore, it is pretty

definitely understood, I am sure, on the part of the War Department and others interested, that such is the real purpose of the appropriation.

With the knowledge I had that a very acute situation had developed in Baltimore with respect to burial grounds for veterans, I advocated the purchase of additional space for the national cemetery in Baltimore, located on the Frederick Road, contiguous to Loudon Park Cemetery, in the district I represent. The Senators from Maryland and my colleagues in the House, although the cemetery in question is located in my district, interested themselves in bringing about this appropriation.

The American Legion of Maryland; the Disabled American Veterans of Maryland; the Veterans of Foreign Wars of Maryland; the Maryland National Guard, speaking through Brigadier General Bowie; the Baltimore Association of Commerce; the Maryland Guard Unit of the American Legion Auxiliary; the Veterans' Employees Association; and many other local organizations expressed such real concern and interest in this matter that I have taken this small space in the RECORD to thank the committee for the manner in which they have approached my request and to further express the hope that the War Department will with expedition provide from this fund the necessary additional acreage which is most urgent at this time in the national cemetery in Baltimore.

PERMISSION TO ADDRESS THE HOUSE

Mr. MARTIN of Colorado. Mr. Speaker, I ask unanimous consent to address the House for 8 minutes on a nonpartisan subject which is of interest to the youth of America, the debunking of American history.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. MARTIN of Colorado. Mr. Speaker, I rise to shed a tear over the passing of another priceless American tradition; nay, more, a hitherto accepted historical fact of the first magnitude. Generation after generation, the hearts of the school children of America has thrilled to the story of the old Liberty Bell dramatically proclaiming the signing of the Declaration of Independence. It personified to them the spirit of the Revolution; nay, more, it was a living thing whose voice proclaimed unto all the world and all the ages that all men are created equal. Its clarion tones in their young ears was a fitting prelude to the story of the American Revolution. It symbolized the immortal instrument whose birth it heralded. Its hallowed form in old Independence Hall at Philadelphia is a national shrine. In a nation's patriotic reverence it ranked with, if not above, the midnight ride of Paul Revere, the shot heard around the world, and the first flag of Betsy Ross. It is not too much to say that it glittered as a star of the first magnitude in the brilliant sky of American independence. The bell and the Declaration, one and inseparable, now and forever.

Then, Mr. Speaker, came the fell hand of the debunker. "The Liberty Bell did not proclaim the tidings." Thus saith the very custodian of the archives of things sacred in American history. At the bottom of a typewritten footnote, attached to page 50 of his compendium of the errors found in a cheap edition of the Constitution and the Declaration, and exhibited to the House by the genial and distinguished gentleman from New York, Mr. SOL BLOOM, as the very last line in the footnote debunking the history of the Declaration, is the fateful sentence: "The Liberty Bell did not proclaim the tidings."

There is no preparation for the blow, no foreshadowing of the coming dire disclosure. Casually, the unsuspecting eye drifts down the page of trivia of detail said by the gentleman from New York to be erroneous in the booklet's history of the Declaration; then, bang! the eye that has gazed in reverence upon the most famed and cherished relic of the Revolution gets knocked right out with eight bald, unheralded, devastating, soul-sickening words: "The Liberty Bell did not proclaim the tidings."

Mr. Speaker, I have survived some severe shocks in the way of historical disillusionment, but this was the "unkindest cut

of all." Never again can I look upon that venerable herald of a new day on earth, the Liberty Bell, without feeling that it is a rank imposter; and I would that I might be able here and now, once for all, to shed all the illusions of history, instead of the continuing and painful process of shedding them one at a time. The situation makes me jittery. I know not at what turn I may bring up against another dear tradition and have it exploded in my face.

Mr. Speaker, I know now there are several spots on which the first shot of the Revolution was fired. I have stood on two of them and have heard of a third. There may be others. Sufficient now for me that it was fired. The traditions of the cherry tree would appear to have been cut down, if not the tree. Whether or not George Washington could tell a lie, deponent no longer saith. Even Walter Johnson may have only temporarily rehabilitated his prowess in throwing the dollar. But it still appears that he was Commander in Chief of the Revolutionary forces and, according to the debunkers, at least the second President of the United States, so I still have some compensation for the dear lost illusions of my boyhood that George did cut down the cherry tree and could not tell a lie.

I have survived the debunking of Christopher Columbus, that colossal figure whose feet first crossed the threshold of a new world. While several centuries had elapsed at the time Columbus rediscovered America, the debunkers are assiduously discovering or inventing new facts to show that America had been discovered and lost centuries before Columbus saw the light of day.

Since I was not on the spot, I am not able to verify the now-disputed fact that General Pershing on his arrival in Paris with the American Expeditionary Forces, standing before the tomb of Lafayette, saluted and said, "Lafayette, we are here." As this tradition was a new one, sprung up in my lifetime, the shock was not so severe, and I was consoled by the apparent certainty that Pershing was there with the A. E. F. whether he said it or not.

Nor do I care much about the knocking of William Tell from his ancient and lofty pedestal. I am more or less indifferent whether he shot the apple off the head of his trustful son. His is a dim and distant figure, anyhow, so the debunkers may have that dramatic incident. Albeit the story bulked big with the schoolboys of my time, its proper place may be in the limbo of debunked illusions. Said Napoleon: "What is history but a fable agreed upon?" What, indeed?

Mr. Speaker, all these and other shattered illusions I might name—and I probably have barely touched the index of them—are in a measure preparatory and serve to convert one's mentality into a shock absorber. Every day Ripley rips things up and shows that they are not what they seem. That the process still pains me perhaps indicates that I have a credulous complex, which is rich soil in which the seed of illusions may not only fall and flourish, but twine and cling, otherwise I would be calloused and case-hardened from the many shocks heretofore sustained. As it is, I frankly confess that it was with a sinking spirit my gaze fell upon those eight fateful words: "The Liberty Bell did not proclaim the tidings." The Liberty Bell has been debunked. It is now only one more bell, and, being cracked and useless, it ought to be junked. Sic transit gloria mundi. [Applause.]

DEMOCRATIC PLEDGES KEPT

Mr. FORD of California. Mr. Speaker, I ask unanimous consent to proceed for 3 minutes.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. FORD of California. Mr. Speaker, the 1932 Democratic Party platform has been the subject of much heated discussion on the part of that little group of plutocratic gentlemen who object to paying their just share of the taxes necessary to carry on the Government and to provide for the unemployed. With these gentlemen the holy cry has become, "Balance the Budget."

Of course, we all wish that the Budget could be balanced, and we all know that it will be just as soon as possible. But before this can be done there is another budget that must be balanced, and that is the budget of the millions of citizens who have no jobs, whose savings have been swept away by the long, hard years of the depression, whose clothing is in rags, and whose stomachs would be empty if the budgeteers had their wish. The very existence of these unfortunates is dependent on relief or work relief provided not by private business but by public money.

If the prosperous gentlemen who wail about the taxes that their grandchildren are to pay and who deplore the Government's unbalanced Budget would use their united efforts to aid the Government in placing men and women at work, the Budget could be balanced, and that quickly. But they refuse to shorten the workweek, to put on additional men and women, to add to their pay rolls. They fear, forsooth, that by so doing their profits may be decreased. In their selfish blindness they refuse to see that continued profits depend upon increased purchasing power, widely distributed through wages and salaries.

Determined to carry on in the old way, the reactionaries are blanketing the country with destructive propaganda, disseminated by a kept press more venal than the organized gangsters who until recently terrorized our cities.

This is not a partisan move. It is a clear contest of special privilege against Government for the benefit of all the people.

The charges against the administration are many and various. A popular one is that we Democrats have broken our campaign pledges as set forth in the 1932 platform. Let us see about that.

THE BUDGET WILL BE BALANCED

The basis for the charge is found in the first two planks of the 1932 platform, which advocate a drastic cut in Government expenses and a balanced Budget. We all agree with these theoretically. Every member of this administration with whom I have discussed this agrees that we shall cut expenses and balance the Budget just as soon as conditions make it possible. Every honest economist knows that in times of stress and unemployment, large Government expenditures are essential. Public works, work relief, appropriations for education, for rehabilitation, and for other activities to save our people all cost money. To pay for these out of current income in hard times is impossible. The increase of the public debt is then justified. And this causes little worry to informed people. For they know that with the rise of the income of our people, the Government revenue will rise, thus enabling the public debt to be taken care of without undue burden. Our national income had fallen from nearly \$90,000,000,000 in 1929 to less than \$40,000,000,000 in 1932. Under the New Deal it has gotten back to over \$60,000,000,000. We have in 4 years increased the national debt by about ten billions; and we have increased the combined annual income of our people by over twenty billions. I submit that is a record to be proud of and to warrant every dollar we have spent.

EXPENDITURES SAVED OUR PEOPLE

Every man and woman in America knows that when Franklin D. Roosevelt became President he faced a crisis that demanded quick and courageous action and that made enormous public expenditures absolutely necessary. To have hesitated, to have stuck to the idea of economy, would have meant chaos and ruin for our country and our people.

A sincere effort to cut the annual recurring Federal expenditures was made in the Economy Act, supported by both parties. But this in itself did nothing to help our millions of unemployed and desperate people. Immediate and enormous appropriations for relief and work relief were necessary. We rushed this through, along with an enlightened program of public works which should have been inaugurated in 1929 or 1930.

It is to be noted that the Democratic platform advocated expenditures for relief and a program of public works. We followed the platform. And thereby we started the country on its upward trend.

With the banks failing in every part of our country, the President and the Congress took quick action. First came the moratorium; then the opening of sound banks, with the Government assurance that all funds deposited after the reopening would be safe. Every effort was made to protect the assets of the unsound banks and to expedite payments to depositors. This, my friends, was in accordance with the platform. We went a step further here by guaranteeing bank deposits, first up to \$2,500 and then up to \$5,000. And we stopped bank failures and saved our people from further worry on this score. All of this was in line with the platform, which the hecklers in high places are charging we disregarded.

PLATFORM FOLLOWED

The platform declared for "the divorce of the investment banking business from commercial banks" and the prevention of the use of Federal Reserve facilities for speculative purposes. The "divorce" was accomplished almost as soon as the administration came into power; the restrictions against the speculative use of Federal Reserve facilities was accomplished in the Banking Act of 1934.

Planks in our platform called for the saving of the homes and farms of the Nation from foreclosure; the conservation, development, and use of the Nation's water power in the public interest; the protection of the public investing in stocks and bonds by requiring true information as to bonuses, commissions, principal invested, and other facts; unemployment and old-age insurance in cooperation with the various States; and the strengthening and impartial enforcement of the antitrust laws to prevent monopoly and unfair trade practices. Every one of these pledges has been kept.

The platform advocated the spread of employment by a substantial reduction in the hours of labor and it advocated measures to curb monopoly and prevent unfair trade practices for the protection of labor and the small-business man. In line with this we adopted the N. R. A. Thus we took the most direct and effective way. The Supreme Court declared it unconstitutional. We abandoned it.

The effective control of crop surpluses and measures to aid the farmers to receive prices in excess of cost were specifically advocated in our platform. The A. A. A. was the answer. It, too, was declared unconstitutional. But by other measures we have endeavored to keep our platform pledges to the farmers.

WE KEPT OUR PROMISES

Two measures that maddened the reactionaries who believe in the continued exploitation of the public are the Securities Act of 1933 and the Securities Exchange Act of 1934. Yet the platform specifically advocates both of these. The trouble is we meant what we said, and we proceeded to do what we promised. If we had evaded and avoided these issues, we would not now be attacked on every side by the various leagues and associations financed by the munitions and other profiteers, including the Power Trust. By doing our best to redeem our pledges, in the interest of the public, we have brought down on ourselves the concentrated attack of all the exploiters who still have a faint hope of defeating President Roosevelt. To do this they have been pouring out their dollars, all wrung from inadequately paid labor, from investors cheated out of their savings, or from the consuming public through exorbitant prices. Such a campaign chest as never was is being filled to defeat this administration and turn the Government back to Wall Street.

Yes, it is money wasted. For our people cannot be fooled into voting for the return of special privilege and free and unrestrained exploitation.

THE PLATFORM AND THE UTILITIES

Perhaps the worst barrage of concentrated fire that ever was turned on Congress was occasioned by the consideration in that long session in 1935 of the utilities or holding-company bill. Yet this measure was specifically advocated in the platform. Every known method of intimidation, threat, and unfair lobbying was tried. But we stood by the platform and passed the bill. Now the public knows, as it

knew then, that the measure is entirely fair and in the interest of the people. The holding-company racket was one of the worst this country has ever known. It turned industry away from the idea of production for human consumption with a fair profit to investors, and made it a method of cheating investors and consumers so that a few "insiders" could amass their millions. I maintain that such a system, if it had been allowed to continue, would have ruined this country before another decade. For the truth is, that no business can remain honest when dishonest methods prevail. And dishonesty, exploitation, profiteering in the end destroy business and impoverish the people.

It was the Holding Company Act that definitely turned big business against the administration. All that we had done for the farmer, the home owner, for labor, for the unemployed, and for the small-business man might have been forgiven, since it had resulted in a remarkable pick-up in business. But to curb or abolish the holding company was too much for the Wall Street racketeers. Since then there has been war on the administration, with hirelings doing their bit at the command of their masters. And the cry of broken pledges has been tried, with the hope of deceiving good Democrats into thinking that the platform pledges have not been kept. The trouble is that we have kept them. And the public has benefited and approved.

I predict that President Roosevelt will be reelected by a larger majority than he had in 1932, and that a Democratic Congress will work with him to carry out the 1936 platform so thoroughly and well that this country of ours will again become the land of opportunity for old and young.

In that task I pledge my support, and I declare my intention of continuing to favor every sound progressive measure advocated in the public interest. [Applause.]

Mr. LORD. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. LORD. On April 16 I addressed the Members of the House on the subject of flood control in the Northeast. The occasion of my address at that time was a newspaper article which appeared in the paper stating that when President Roosevelt was asked about flood control he stated that he was not acquainted with any special flood-control appropriation bills on Capitol Hill. At that time I stated to the House that I thought it was time someone knew about it. We have had terrible floods throughout Pennsylvania, New York, and New England, and, to my mind, it is time that some action be taken to give relief to these sections of our Nation.

According to articles appearing in the press of yesterday, no action is to be taken on flood relief at this session. President Roosevelt is said to have advised congressional leaders that he is ready for adjournment as soon as the tax bill and the appropriation measures are passed and to have called the tax and appropriation bills the "must" legislation for this session. This appears to leave the omnibus flood-control bill out of the "must" list.

According to press reports, the President's view is that flood control should be delayed pending further study to determine whether Nation-wide soil-conservation, water-power, and reclamation programs are to be incorporated in one bill to be considered some time in the future.

The people living in the Northeast who have suffered so severely in the floods of last July and November and the floods of this spring are very much distressed at hearing how lightly the President brushes away this all-important measure. While it may be all right to study and determine a Nation-wide soil-conservation program, it is inconceivable to me that the President will hold up flood control when the lives of thousands of people are in danger, where property loss has run into many millions of dollars, and where people are in constant fear of another flood that may take many lives, and where the property damage may again run into millions of dollars. A bill was passed in the Senate a

few days ago providing an appropriation of \$272,000,000 for flood relief in the Mississippi River Valley. No doubt that particular section needs relief. We passed a bill involving \$160,000,000 for rivers and harbors, and yet the flood-control bill seems to be receiving very little consideration.

I call the attention of the Members especially who represent various States in which these flood disasters have occurred that we ought to take hold of the situation at the present time, or we are not going to get any flood relief this year.

Mr. Speaker, I hope that we may receive the consideration that I believe is justly due us. In connection with the two measures that I have just mentioned, there has already been, or will be, appropriated \$422,000,000, and we are not finding any fault with that, but for our particular districts there is a little over \$300,000,000 needed to start this work off. A survey was ordered by the Chief Executive last year, and it has been completed in southern New York and northern Pennsylvania by the Army engineers, who have reported favorably on the project, and the work should go forward at once.

Mr. RICH. Will the gentleman yield?

Mr. LORD. I yield to the gentleman from Pennsylvania.

Mr. RICH. I should like to say to the gentleman that a bill has just been reported out of the Flood Control Committee for the lower Mississippi. It is the desire of a great many Members of the House to inculcate a general flood-control plan. Does not the gentleman think that the emergency should be taken care of at the present session of Congress?

Mr. LORD. In reply to the gentleman, may I say that a survey has been made and is being made in the sections of the country where this terrible loss of life and property has occurred. I believe that we should consider this work and go ahead with it immediately. If we wait to include in one bill all the rivers that need taken care of, if we should include all the soil conservation that needs conserving, if we take care of all the water power and all the reclamation projects, we will not have a bill at all. If we do have a bill, it will be so great that it will die of its own weight.

Mr. Speaker, this legislation should have immediate consideration, and I am appealing to the Members who are interested in this matter to help bring about early consideration of the legislation.

[Here the gavel fell.]

Mr. HARLAN. Mr. Speaker, I ask unanimous consent to address the House for 5 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. HARLAN. Mr. Speaker, I doubt if there are very many Members of this House who were educated in the West or Middle West prior to the turn of the century who do not cherish in their hearts a very dear recollection of the McGuffey reader. Just 100 years ago the first McGuffey reader appeared. It was circulated and used throughout the West, and even in parts of the East for about 70 years as an accepted textbook.

It was written by William H. McGuffey, professor part of the time at Miami University, in Ohio, and at the University of Virginia. It gave to our young boys and girls an insight into literature, which was a most valued gift at that time when high-school educations were very scarce and college educations almost a curiosity.

Mr. Speaker, the reason I am bringing this to the attention of the Members of the House is that this year is the centennial year being celebrated throughout the country on the one hundredth anniversary of the appearance of the McGuffey readers. I have been requested by the committee in charge to see if we cannot have a stamp issued commemorating this occasion. I regret that there are not a larger number of Members present with whom this matter could be discussed, because it would be very helpful if those men who have had contact with the McGuffey reader in their childhood would communicate with the Post Office Department in support of this request. I do not know of anything that would be more popular in the part of the country where the McGuffey reader

was used than this act of courtesy, this bestowing of honor where honor is due by the Government, because it is upon education that our liberty rests. [Applause.]

NOTHING NEW IN GOVERNMENT FILMS

Mr. MAVERICK. Mr. Speaker, I ask unanimous consent to address the House for 3 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. MAVERICK. Mr. Speaker, the other day the Republican minority leader [Mr. SNELL] expressed high consciousness because he had heard a report that the Works Progress Administration was going to make some motion pictures. But he did not say that for 12 years under Republican administrations Government departments and bureaus have been doing exactly the same thing. In fact, the Republicans set just about all the precedents in this field, and the work they accomplished was perfectly proper from the standpoint of public records and public information.

The Republican minority leader is not so generous with the Government when it is in control of the Democratic Party. He wastes no time in assuming that the Democratic W. P. A. movies are going to be something sinister and less ethical than the Republican agencies have made in the past. He charges that there will be 50 W. P. A. movies and that a lot of them will be in technicolor, which is a highly expensive process. He infers, with due piety, that they will not be informational reels like the Republicans made, and then predicts they will be used as campaign news reels and will flash the name of the Democratic Senator or Representative who sponsored the project. I find there is no intention whatever of including Congressmen in the movies, so the statement is not correct.

Hearing all this sound and fury, I set about making a little research myself and found out a few things; most of the statement appears to be incorrect or irrelevant to any sound point.

USE OF MOVIES IN GOVERNMENT COMMON PRACTICE

I do not know how many films W. P. A. or any other agency intends to make in the future, but I feel perfectly safe in predicting that whatever movies it makes will be just as ethical as the movies that the Republicans made when they were setting all these precedents. Up to this time the Works Progress Administration has made four or five finished reels and not one of them has contained any technicolor or any political partisanship.

What I want to emphasize is that it has been common practice for years and years for Government bureaus to record their activities in this way, and the use of motion pictures has become ordinary routine.

HOOVER'S MOVIE FOR UNITED STATES STEEL

As far back as 1926 the Bureau of Mines, of the Department of Commerce, had 140 reels available for distribution. Herbert Hoover was then Secretary of the Department, and he approved of motion pictures as being a good medium for conveying ideas. Moreover, nobody in the Republican Party, nor, as far as I know, the Democratic Party, objected then.

These reels had been made in cooperation with private corporations, with the Bureau supplying the supervision. One of these was entitled "The Story of a Spark Plug." Is not that a romantic title? Another was called "The Story of a Rotary Drilled Oil Well"; and still another one was titled "An American in the Making." This was the story of an European peasant coming to this country where he became a glorified American by getting a job with United States Steel Corporation at Gary, Ind., and was supposed to have learned how carefully the souls and lives of the men were safeguarded by the Steel Trust. He went to a night school and got interested in the pretty teacher, married her, and at last reports, though this was before the Steel Trust laid off some 80 percent of its employees, was in the process of living happy ever after—no doubt making big guns and battleships so his children could get killed off. But that is not the point—the point is our Republican friends assume that when

they spend Government money to glorify big business and the Steel Trust that it is just wonderful, but for the W. P. A. to record the work of ordinary men and women it is committing an outright sin.

There was no sequel to this thriller of Mr. Hoover and the United States Steel Corporation, but had there been one made in 1931, 5 years later, it probably would have shown our hero standing in the bread line with his pretty American wife, who, no doubt, quit teaching school to take care of the elaborate home of a steelworker. That would have been Mr. Hoover's third year as President, when he was still making movies and still predicting something around the corner.

HOOVER REELS 386 TIMES; THAT'S O. K.

Now, it seems to me that the Republicans all got together and promoted Mr. Secretary Hoover to be Mr. President Hoover in 1928. In fact, I am sure of this, because I remember voting for Al Smith, who ran against him, and who has now joined the Liberty League and the Republican Party. At any rate, President Hoover was a great promoter of movie reels, so in 1931, through the Department of Agriculture, there were 386 reels made which were available for distribution. Also, I am not criticizing him for it. I think that is probably one of the good things that he did. I merely mention this to show that movies are just like keeping a journal in these modern times, and to raise a fuss about the W. P. A. having movies is just about like raising a fuss because the Democrats let Mr. Farley deliver a letter when the Republicans had done the same thing through their own Postmaster General for years before.

Under Republican administrations these pictures had been made for such bureaus within that Department, as the Bureau of Animal Industry, Bureau of Agricultural Economics, Plant Industry, Entomology, Biological Survey, Forest Service, and Extension Service.

In 1932, the last year that the dour countenance of Mr. Hoover graced the White House, the Department of Agriculture produced 42 new reels for distribution, covering 25 subjects. I presume that all these reels were honest efforts to inform the people. But let me read you a few of the titles out of the 1932 catalog and let you judge what the Republicans would be saying about them today if they were now being produced by the Democrats.

Here is a sample: "Routing Rodent Robbers", a movie produced by the Bureau of Biological Survey. That was all right. The Works Progress Administration now has a rat extermination campaign under way, and that is called boondoggling. Here is another nice title, "Sago Making in Primitive New Guinea." That was produced for the Bureau of Plant Industry, and it was accompanied by sound.

REPUBLICAN POLITICIANS STARRED IN MOVIES

Since this question of politicians appearing in movies has been brought up, I want to recall that the Department of Agriculture in 1932 produced a movie entitled "Forest Fires and Conservation." The stars of this movie were Secretary Arthur M. Hyde and Congressman Scott Leavitt. Then there was a picture called "An International Study of American Roads", which not only was a talkie but was scored to the music of the United States Marine Band.

If the Works Progress Administration, which is building about one-half million miles of farm-to-market roads to take some 13,000,000 farmers out of the mud, dared to mention this fact on a movie screen, the Republicans would put their whole jigsaw "brain trust" to work proving it a diabolical political plot. In other words, criticizing the Government for making movies is simply nonsense.

This whole furore over some routine Government movies is a tempest in a teapot. We Democrats really are guilty of being rank imitators in it, for the Republicans set all the precedents and the W. P. A. is merely doing weak imitations.

But I do not think we need to feel badly about that, for lately the Republicans, after howling for 3 years about the New Deal "brain trust", have turned around and burst forth with one of their own. And the weakness of our imitation

of their movie program is as nothing compared to the frailty of their brain trust alongside of ours.

REPUBLICAN TRAVELOGUES

But I do not want to get to talking about the Republican "brain trust" and forget Government movies. In 1932 even the Department of Labor, the deserted stepchild of the Hoover administration, had reels for distribution, the Children's Bureau had 10 and the Women's Bureau had 10. In the Interior Department the Bureau of Education had about 30, the National Park Service about 8, and the Bureau of Reclamation 34. The titles of the reclamation pictures sound like the work of the Works Progress Administration, and I can well imagine the hue and cry that would be going up now if such pictures were being produced as "The Garden of Allah" in Arizona; "Land of Burnt-Out Fires", Oregon and California; and "Valley of Opportunity", Colorado.

Of course, the War Department has had thousands of reels produced, including numerous entertaining travelogues designed to stimulate recruiting.

The Bureau of Public Health also had a number of reels made by its own unit to introduce sex instruction into high-school and college curricula.

HOPKINS WORKING INSTEAD OF TALKING

Mr. Speaker, I do not want to take up the time of this House to detail the dozens of Federal departments and bureaus which have produced thousands of motion pictures for more than a decade in furtherance of their legitimate duties, but I do want to make perfectly plain how absurd it is for the Republican minority leader to launch an attack on the Works Progress Administration just because he has heard that it was going to produce some movies. I hope it does produce some movies that will tell the people of this country the good things that I have learned about the good things that it is doing. If I have any fault to find with it, it is because Harry Hopkins and his crowd have been so busy doing their enormous job that they have not taken time off to tell the people about it.

SAVING 400,000 WOMEN

I went down to the Mayflower Hotel the other day, for instance, and saw a W. P. A. exhibit. It was put there for the Women's Conference of the W. P. A., and it showed many of the useful things which about 400,000 women in distress have been doing. I saw all kinds of work superficially referred to as "boondoggling", but I say it was splendid. It showed self-respecting endeavor of human beings.

Why should not men and women displaced by machines through no fault of their own have a right to self-respecting work? It is said we shall always have from 10 to 30 percent of our population unemployed. I cannot believe it and do not like to think of it. But in any event, we certainly should not forsake from 10 to 30 percent of our people and let them become pariahs as in India.

If we continue to waste our natural resources, ignore the self-respect of our people, and even force them to lose their skill through sheer idleness, we can be sure we will end up with a large percentage of our population living like pariahs on the dole.

The main thing about "Government movies" is that they have been in effect for years, principally developed by the Republicans—they were all right then and are all right now—and as for technicolor, the W. P. A. had no intention of using it. As far as I am concerned, however, when I saw the wonderful exhibit of the W. P. A., made by the 400,000 unemployed women of America, it showed such beauty and color that I see no reason why it should not be put in technicolor. After all, sometimes even our critics make good suggestions without intending to. With all the science and knowledge that we have, why should not educational films be made by the Government, showing the work of the Government for the purpose of informing and educating the people of the United States? Are not the people supposed to be the Government?

Mr. SNELL. Mr. Speaker, I ask unanimous consent to proceed for 3 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SNELL. Mr. Speaker, as a matter of fact, I did not hear the first part of the gentleman's remarks, as I was reading the RECORD, and therefore I do not know exactly what he accused me of doing.

Mr. MAVERICK. While talking I was looking straight at the gentleman. I thought the gentleman from New York was listening.

Mr. SNELL. That is all right.

With respect to the interview I gave to the papers, I did not claim I had asked the Department for any information. I said I had heard that so-and-so was true, and with respect to the statement I made in the papers, they went to your own man, Mr. Hopkins, and showed him my statement and he practically corroborated everything I had said.

Mr. MAVERICK. The gentleman said he had not been able "to find out"; certainly Mr. Hopkins did not "corroborate" the gentleman.

Mr. SNELL. I did not say I had been to the Department or anything of that sort. I said this information had come to me, and from Mr. Hopkins' reported statement to the press it was evidently true. You do not suppose I would ask Mr. Hopkins about anything as purely political as this, do you?

Mr. MAVERICK. I deny it was "political" any more or any less than any other movies previously made by Republicans—in fact, it was a routine matter; and in the statement there was an implication that the gentleman had tried to find out some information and had been refused it. You say from Mr. Hopkins' statement it was "evidently" true. But the actual facts are otherwise.

Mr. SNELL. Well, your own man said it was so, and is not that sufficient?

Mr. MAVERICK. As to routine, of course, but as anything sinister, no. He did not say it was so about putting Democratic Congressmen and Senators on the screen.

Mr. SNELL. I said you would probably put the names of Democratic Congressmen on the screen, and you will. Read my statement and also statement from the W. P. A. If I remember correctly, they said it was being considered.

Mr. MAVERICK. He did not say that.

Mr. SNELL. The W. P. A. officials said it for him, and that is just the same.

Mr. MAVERICK. No.

Mr. SNELL. There has never been any such work done by any department of this Government in regard to moving pictures similar to what is being done at the present time. I know what I am talking about. We have always had moving pictures, and I have no objection to them, but when you use them to the extent that the present administration is doing for the purpose of reelecting the present administration I object to it, especially when you are using the people's money for it. Use Democrats' money, and I will not say anything.

Mr. MAVERICK. I want to make this statement—

Mr. SNELL. All right; I yield to the gentleman.

Mr. MAVERICK. You talk of politics—

Mr. SNELL. It is all politics, and that is why I am calling it to the attention of the House.

Mr. MAVERICK. Of course, when the Government was controlled by the Republican Party and was spending huge sums on movies, you made no objections. You say that the movies being made now are for the purpose of reelecting the present administration. That is an assumption, to say the least—you assume that Republican movies are sacred movies with an entirely unselfish purpose, and if anybody else gets movies that the motive must be ulterior. It is possible that it may be the other way, but certainly it is unfair to accuse the Democratic Party of politics when it is done as a routine Government matter and just as it has always been done.

Mr. SNELL. It is all politics, and that is the reason I called it to the attention of the country, and I am glad to get this opportunity to call attention to it again and impress it on the minds of the Democratic Members.

Mr. MAVERICK. Was it politics when the Republicans were writing that story about some intelligent immigrant working for the Steel Trust?

Mr. SNELL. I have no objection to that or no one else has.

Mr. MAVERICK. Of course. That was when the Republicans were in power. You assume that everything they did was right. Hundreds more reels were made by the Republican Party; the W. P. A. has done very few.

Mr. SNELL. I do not know who was in power, and I have no objection to that. I do not know what you are referring to, but it was probably some picture advertising advantages of this country or work in steel mills. General pictures of this kind have always been used, but I maintain that no administration has gone into the picture business or other propaganda for purely political purposes equal to the present one, and you and everyone else know it. I am surprised that anyone would defend these activities of the administration. I claim it is a misuse of the taxpayers' money.

Mr. MAVERICK. Oh, "misuse of taxpayers' money" is just a phrase. I want to make it plain that movies are movies—and the Republicans did it, and now the Democrats are doing it. What of it? Mr. Hoover got out 140 of these movies, and the Department of Agriculture got out hundreds of them, and this has been true throughout the different administrations, and there has been no intimation that these movies will be used for political purposes.

Mr. SNELL. No one has ever objected to the general proposition of using them for general educational purposes, insofar as the departments are concerned, but the present administration is using them purely for political purposes, and I make that charge, and if they have reduced the expected 50 to 3, it is probably because I called attention to it.

Mr. MAVERICK. There can be no reduction of 50 to 3, since no set number was contemplated. "Fifty", as a number, was assumed by the gentleman, and I hope the W. P. A. gets out a sufficient number of reels to tell the story of its fine work.

Mr. CHRISTIANSON. Mr. Speaker, I ask that the gentleman have 1 additional minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. CHRISTIANSON. The principal issue between the gentleman from New York and the gentleman from Texas seems to be whether there were 58 or 3 of these films. Is it not possible that they were reduced from 50 to 3 by what the gentleman from New York said?

Mr. SNELL. That may be so. I had an opportunity to get this information, and thought it was authentic and used it. It evidently was or you would not now be so disturbed about it and want to explain it.

Mr. MAVERICK. The gentleman suspected it, and now he "thinks" it is authentic.

Mr. SNELL. No; I did not suspect it; I got it and I used it. [Laughter.]

Mr. MAVERICK. And now let me refer to the remarks of the gentleman from Minnesota [Mr. CHRISTIANSON], who says the principal issue is the number of the movies. I want to repeat that I am merely bringing out the point that the making of movies depicting Government activities is a routine matter and is an ordinary process in modern times. The minority leader has criticized the use of movies by the Government merely because the Government happens to be in the control of the Democratic Party, even though the Government is doing it in a routine way just as it did when the Republicans were in the saddle.

[Here the gavel fell.]

Mr. SUMNERS of Texas. Mr. Speaker, I ask unanimous consent to proceed for 5 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. SUMNERS of Texas. Mr. Speaker, I call to the attention of the Members of the House a matter which I believe under our present condition is worthy of consideration. I appreciate that what I am about to suggest will evoke criticism. But the time is at hand when the whole people must

join in a national council considering ways and means for the solution of our problems. No one because of fear of criticism should withhold from public consideration any maturely considered suggestion which might help—I say, might help.

Since the beginning of the Government, it has been the policy of the Government to offer as an inducement for invention a monopoly for a fixed period of the right to use. During the past few decades there has been a tremendous increase in what is known as labor-saving devices. A Member of the House has just been telling me that in his business, weaving cloth, during the past 10 years the looms which one person operates has increased from 2 to 10. This sort of thing has been going on everywhere.

This is a practical matter. Government is a practical thing. With the number of unemployed which now obtain in this country, is it not a thing worthy of our consideration whether the Government should not, for the present, discontinue granting patents for labor-saving devices; discontinue offering the inducement of a monopoly of 17 years in the right to use to anyone who will invent a machine that will put more people out of work?

That is a practical proposition.

Would anybody with good, plain, practical common sense who is feeding, clothing, and housing, directly or indirectly, many idle people, continue to offer the tremendous incentive the Government is now offering to anyone who will devise a plan to add to that number of people that have to be cared for? If it were a mere matter of adding to those who are being cared for, it would not be so important.

But we know, as a matter of fact, the tremendous moral, economic, all sorts of waste that results from forcing an honest man anxious and willing to do a part of the necessary work of the world to go home night after night without any prospect of an opportunity by honest labor to feed his family. I am not offering the suggestion as a substitute for adjustment of hours of labor and of a proper distribution of benefits from labor-saving devices so as to increase the average purchasing power. We have stirring times ahead of us. What we need is to preserve as far as possible a normal-thinking, normal-acting, stanch people to work out these problems. Shifting people from the employed to the unemployed class operates against that greatest of all public needs just now. The person who in our present situation invents a labor-saving device adding to unemployment performs no valuable public service and ought not to receive a valuable public reward. That is the point I suggest for consideration as an emergency policy.

This is a matter that has not just occurred to me at the moment. I have been thinking about this a good while. I do not believe that I am disposed to go off half-cocked about a thing of this sort. On January 4, 1932, I wrote to the chairman of the Committee on Patents as follows:

JANUARY 4, 1932.

HON. WILLIAM I. SIROVICH,
Chairman, Committee on Patents,
House of Representatives, Washington, D. C.

MY DEAR COLLEAGUE: I beg to direct the consideration of your committee to the possible advisability under our circumstances of suspending, for the present, patents for labor-saving devices.

I have not thought the matter through all of its ramifications, but sufficiently to feel warranted in calling it to your serious consideration, not as a major factor but as one of considerable importance in itself and still more important from the principle which is involved.

In the first place, a patent is not a thing which anyone can claim as a matter of right.

It is a monopoly of the right to use, granted by the Government as an inducement to devise novel things for the public benefit.

We have accepted without question that anyone who invents a labor-saving device is a public benefactor, and have accepted the advantages of these devices without accepting any of the corresponding and paralleling responsibilities and duties.

As a result we have developed a lop-sided progress.

Only as the buying power of the average person is increased so that he can buy something, to him new, something created by the person whose job has been taken by a machine, and as hours of labor are readjusted and the benefits of such inventions distributed, is it safe to increase labor-saving devices, or at least wise, as a matter of public policy, for the Government to offer persons a special inducement to invent them?

Farmers who learn to cultivate by a better method are not given patents. Physicians who develop new and better methods of treating diseases are not given monopolies in the method of treatment.

Certainly it is far better to have two persons working, each earning his own living, than to have one person with a machine do the work formerly done by the two, and the person supplanted, unable to get any other work, and an object of charity. It is still worse under these conditions for one person to do the work of three.

To increase machine production per man without increasing per man power to buy does not tend toward a healthy economic or industrial condition. To increase production and at the same time decrease the number of those able to buy is tragically unsound. The person supplanted by the machine and left without a job cannot purchase. There is nothing more hurtful economically and morally or more dangerous to the State than to have people ready, willing, and able to work for an honest living but deprived of the opportunity.

The corresponding, and in nature, paralleling line of true progress is too far behind. Had we not better wait with the one, or at least withdraw the artificial stimulus given by the Government, until the other line is brought up?

With millions of people idle who are willing to work, as a matter of practical common sense it seems to me an absurd thing for the Government to continue to offer this inducement to persons who will devise methods for taking away jobs of persons now engaged, who will have to be supported either by private charity or from the Public Treasury.

Very respectfully,

HATTON W. SUMNERS.

I do not suggest the consideration of the permanent abandonment of the policy of granting patents to labor-saving devices.

MR. RICH. Mr. Speaker, will the gentleman yield?

MR. SUMNERS of Texas. Yes.

MR. RICH. If the gentleman can put into effect something that will regulate labor-saving devices for a short time, he will put every one of the people now on the dole back into industry and give them a job. I hope that he can devise some means by which he can do that in order that we may compel industry to employ these people. The matter should be put under the Department of Labor. If the gentleman can accomplish this, I believe he will do great good for the country, as much as any man can possibly do. I think the gentleman is on the right track.

MR. SUMNERS of Texas. I am not trying to make a speech. This is a matter which I want you gentlemen here to think about. If I have time this afternoon, I shall revise these remarks.

MR. BOILEAU. Mr. Speaker, will the gentleman yield?

MR. SUMNERS of Texas. Yes.

MR. BOILEAU. Does not the gentleman believe that a progressive reduction in the hours of labor with apportionment to the development of labor-saving devices would be a better solution and would be really in the best interest of the people? In other words, if we have labor-saving devices, give labor the benefit of them rather than capital.

MR. SUMNERS of Texas. I am talking now about one thing—withdrawing for the present this inducement now being offered by the Government to anyone who will invent a machine which will take an honest man's job away from him and send him into the ranks of the millions of unemployed. The suggestion I make is not involved with or tied up in any way with any of these suggestions. It is not an alternative proposition in any sense. We have been taking on credit these inventions. We have reached the time of payment. Nature charges every people for everything they get. We have been taking without paying, without thinking and effort, all this application of steam and electricity and gasoline, taking them on credit and have not paid. We have reached the paying time. Nature has a time when a balance sheet must be struck and people have to pay, and this is one of the settling days. That is what has made this peculiar and interesting condition in the history of the economic life of the world today. We have been going faster, as my friend has indicated, in the development of labor-saving devices than we have been progressing in the distribution of the benefits of labor-saving devices, in the adjustment of hours of labor, and all the other things. If we are oversupplied with unemployed and if unemployment with its associated dependents upon private

or public charity in any of the forms is hurtful to a people, how can it be possible that the public interest can be promoted now by continuing to offer a governmental reward to whomever will devise a machine which will increase unemployment and reduce the number of self-respecting citizens now doing a part of the necessary work of the world and drive them into the ranks of the millions of unemployed? To the individual and to the Government there is no waste, no loss, so great as that which results from that change in status. If the Government already has more than enough unemployed on its hands, why continue to bid for more? Fundamentally no governmental policy can be wise which sacrifices the excellency of the people for the excellency of its machinery.

The SPEAKER. The time of the gentleman from Texas has expired.

Mr. LUNDEEN. Mr. Speaker, within the past 15 years there has been a rapid growth of cooperative business in Minnesota. We have today more cooperatives, both producer and consumer, than any other State in the Union. We have 1,318 producer cooperatives, or cooperative marketing associations, and 2,866 consumer cooperative societies in Minnesota. The producer cooperatives do an annual business of \$97,395,000; the consumer cooperatives do a business of \$27,907,983. We have a total membership of 144,000 in our producer cooperatives and a total membership of 531,180 in our consumer cooperatives in Minnesota.

There are, in the entire United States, about 9,000 consumer societies, with a membership of about 2,000,000. Minnesota, with nearly one-third of the total consumer cooperatives in the country, is far ahead of her sister States in the cooperative movement. This movement has grown up quietly and successfully and has continued to grow right through the depression while business operated for profit failed. In 1935 only one company, the Standard Oil, did a larger percentage of Minnesota's light petroleum products business. Our State government in Minnesota encourages the growth of cooperatives.

COOPERATIVES WILL CONTINUE TO EXPAND

The great service being performed by Minnesota cooperatives, and by the forward-looking people who are helping to build these organizations is worthy of attention. Citizens of other States can look to Minnesota for guidance in their efforts to build cooperatives. The philosophy of cooperation is in keeping with the American ideal of government of, by, and for the people.

Through cooperative study groups in Minnesota, individuals learn that their interests are best served through cooperative action. This is especially true in the consumers' cooperative movement. Every one of us is a consumer. As consumers we affiliate ourselves with other consumers organized for the purpose of serving themselves with the necessities of life, paying back to themselves any profits that accrue. We recognize the fact in Minnesota that our problem is to give information to our people about the benefits of cooperation. When people join cooperative societies because they understand the principles and benefits of cooperation, our movement rests on solid ground and will continue to expand.

HISTORY, GROWTH, AND BENEFITS OF COOPERATIVES

With these ideas in mind, I am presenting today information about the history, growth, and benefits of cooperatives. Inquiries from citizens of Minnesota and other States will be welcome. The Federal Government is conducting a survey of cooperatives in Minnesota, and I am indebted to those who are conducting this survey for the data included in my remarks. The data was collected under the direction of Russell K. Lewis, of Minneapolis, and I am indebted to Mr. Lewis, Mauritz Seashore, Clyde Buell, and others for much of the information I am presenting today. This information deals with the principles of cooperation, cooperative stores, and cooperative oil associations in Minnesota, farm supply cooperatives, credit unions, mutual and cooperative insurance, cooperative telephone, electric power, trucking, burial associations, and other miscellaneous cooperatives in Minnesota.

TYPES OF COOPERATION—PRODUCER AND CONSUMER

Almost everyone has heard of cooperation in connection with business enterprise, but there is a hazy confusion as to what cooperation really is. There is a difference between "cooperation" in the broad, nontechnical sense, and "cooperation" as a means of marketing and purchasing goods and services. Cooperation, in the economic sense, is a system for carrying on business in the interest of all those who participate in the cooperative movement. If the interests of all parties in the business are respected, there is no exploitation. Without exploitation, there can be no excessive concentration of wealth and power in the hands of a few. Cooperation is the working together of individuals and groups as producers or consumers for their common interests to avoid exploitation.

PRODUCER AND CONSUMER COOPERATIVES COMPARED

There is likely to be some confusion in the minds of many people as to the difference between farm-marketing cooperatives, called "producers' cooperatives" and "consumers' cooperatives." The confusion arises because some of the methods of both are essentially alike.

| | Consumer | Producer |
|-------------------------|--|---|
| Membership..... | Any consumer (unlimited). | By occupation (limited). |
| Vote (control)..... | By person..... | By person..... |
| Returns on capital..... | Limited..... | Limited..... |
| Price..... | Market..... | Pool price or market. |
| Profits..... | To consumers..... | To patron producers. |
| Organization..... | Federations..... | Federations..... |
| Methods..... | Mostly education..... | Promotion, and education. |
| Ultimate purpose..... | To change economic system to production for service. | To get highest possible returns for labor and products. |

Most of the differences are only a matter of degree. However, they differ in one fundamental, and that is the ultimate purpose. The producer cooperative merely aims to eliminate exploitation by assuring full price for labor and products to the actual producer in the manner of labor unions. The consumer cooperatives, on the other hand, have in mind a production for service economic system—with all respect for labor and producers, of course—approached from the use end; that is, the consumer end. When properly understood, the two are not antagonistic; they dovetail together into one great system.

PRODUCERS' COOPERATIVES

In this country cooperation has been practiced mostly by producers, especially farm producers. Producers' cooperatives are also known as cooperative marketing associations. They enable the farmer to bargain collectively for the sale of his products, in which is incorporated his labor power. They serve the farmer as labor unions serve labor; they protect his interest as a producer. The average farmer receives most of his income from his labor rather than from his investment; he is therefore in the same position as the industrial worker, who finds it necessary to associate himself with his fellow workers to bargain collectively for the sale of his labor power. Agricultural cooperative marketing associations are necessary in the life of the farmer in order to enable him to maintain a decent standard of living.

VOLUME OF PRODUCER COOPERATIVES IN MINNESOTA

Today we have in Minnesota 1,318 producer cooperatives, with 114,000 members, doing an annual business of \$97,395,000.

Producer cooperatives in Minnesota

| | Number | Members | Annual business |
|----------------------------|--------|---------|-----------------|
| Creameries..... | 633 | 85,768 | \$44,386,000 |
| Cheese factories..... | 36 | 1,008 | 1,000,000 |
| Fluid milk..... | 6 | 9,000 | 3,186,000 |
| Fruits and vegetables..... | 25 | 4,000 | 1,000,000 |
| Grain..... | 265 | 41,605 | 17,000,000 |
| Livestock..... | 325 | 66,625 | 22,000,000 |
| Poultry and eggs..... | 14 | 770 | 3,000,000 |
| Wool..... | 5 | 6,600 | 3,400,000 |
| Fish..... | 2 | 365 | 160,000 |
| Miscellaneous..... | 2 | | 2,265,000 |
| Grand total..... | 1,318 | 144,000 | 97,395,000 |

It is very doubtful if these farmers would have been able to receive more than \$97,000,000 for the products they marketed had they not been associated together for this purpose. In our existing economic society it is an absolute necessity that farmers and workers organize in self-protection against being exploited; individually they possess little or no power.

CONSUMER COOPERATIVES

Farmers early began to realize that the same cooperative principles they applied to marketing their products could also be applied to purchasing their supplies. Many cooperative marketing associations—producers' cooperatives—began to purchase fertilizer, seed, feed, and so forth. As time went on, purely consumers' cooperatives were organized and carried on with great success, and today we have 2,866 consumer cooperative societies with a membership of 531,180 and an annual business of \$27,907,983.

Consumer cooperatives in Minnesota

| | Number | Members | Annual business |
|---|--------|---------|-----------------|
| Essentially Rochdale co-ops: | | | |
| Store societies (1934) (affiliated, 38; independent, 65) | 103 | 25,000 | \$5,611,383 |
| Oil associations (1935) (affiliated, 95; independent, 55) | 150 | 50,000 | 7,500,000 |
| Total..... | 253 | 75,000 | 13,111,383 |
| Mutual or co-op societies: | | | |
| Credit unions (1935)..... | 205 | 35,000 | 3,075,000 |
| Insurance (1934)..... | 160 | 245,000 | 5,700,000 |
| Telephone (1933)..... | 1,553 | 56,000 | 670,000 |
| Burial (1933)..... | 10 | 5,180 | 51,600 |
| Total..... | 1,933 | 341,180 | 9,496,600 |
| Farm supply (other than above): | | | |
| Farm Bureau and Farmers' Union..... | 80 | 35,000 | 300,000 |
| Producer co-ops (side lines)..... | 600 | 80,000 | 5,000,000 |
| Total..... | 680 | 115,000 | 5,300,000 |
| Grand total (all societies)..... | 2,866 | 531,180 | 27,907,983 |

WE ARE ALL CONSUMERS

The consumer cooperative idea is based on the fact that all people are consumers. Whatever else we are, we are consumers. Regardless of how each obtains money to exchange for consumable goods and services, the ultimate purpose is the same, to consume. Here we have a basic economic function upon which all people can unite, regardless of race, color, creed, nationality, political beliefs, or occupation.

Mutual aid is more natural to people than mutual destruction. It is reasonable and practical to organize as a society of cooperating consumers. With the exception of the information just given concerning producer cooperatives, my remarks today are confined to the consumers' cooperative movement.

It all started very humbly back in 1844, in Rochdale, England, when 28 weavers formed a cooperative store, styled themselves the Equitable Pioneers, and formulated a set of business principles to regulate their society. These have since come to be called the Rochdale principles, upon which most successful consumers' cooperatives are based.

ROCHDALE PRINCIPLES

These principles, the "cooperators' constitution", are variously stated by different people, but essentially they are as follows:

(1) Unlimited; voluntary membership: Any person desiring to cooperate is welcome to join, irrespective of race, color, creed, nationality, occupation, or any other test. A non-member patron automatically becomes a member after his patronage dividend amounts to one share of stock. This principle is in line with the fact that we are all consumers.

(2) Democratic control; one member, one vote; no proxy voting: In other words, people, not dollars, control the business. No person can gain control by ownership of stock or collecting proxy votes. All people are equal. The books are always open for examination.

(3) Limited return on capital: This is to discourage investors and speculators. What the co-op primarily wants is patrons, and only incidentally money. In Minnesota the

legal limit is 6 percent, if earned in the current year. The amount of stock an individual can hold is \$1,000 by law, but is usually set less in the bylaws. Shares are of a low par value, \$5 to \$25.

(4) Sell at market prices: Co-ops are not price cutters. This prevents price wars and also allows an income to the business for reserves and expansion.

(5) Overcharge (profits) returned on basis of patronage: After all expenses are met, including interest charges, and reserves set aside the rest must be returned to the patrons, who made the profits possible in the first instance. This is the distinctive Rochdale feature; the other principles are designed to make this one effective.

(6) Cash, no credit: This reduces overhead and makes operation possible with small capital. It is just, in that no consumer is forced to carry another. Co-ops in the United States find difficulty in observing this rule, due to long-established credit habits.

(7) Federation for wholesaling and production: Consumers make additional savings and quality improvements by uniting their retail organizations for purposes of wholesaling and production.

(8) Fixed appropriations for education: The movement depends on understanding. The members run the business, so they must understand the principles on which it is based. In Minnesota a sum up to 5 percent of net income may be set aside for this purpose.

THE POWER OF ORGANIZED CONSUMERS

Control of the economic system by consumers is merely the reestablishing of a direct, simple production-for-use system such as our ancestors had before the means of production were exploited for profit.

Consumers, by giving or withholding patronage, have the power to build or destroy any business. They have the power, when organized, of controlling or taking over any business. When they have control they can operate it in their own interest. That is the purpose of cooperation. Consumers are not aware of the tremendous power they hold. When organized they control the purse strings, the power of life and death over business.

COOPERATION IN EUROPE—ENGLAND

Several European countries have shown us the way. England, where successful consumer cooperation began in 1844, now has 7,000,000 consumers organized into over a thousand cooperative societies, doing an annual business of over \$1,000,000,000. The English co-ops do 12.7 percent of the entire retail trade; and of the food, clothing, and furniture retailing, almost half. The English Cooperative Wholesale Society is the largest wholesaler in the world. It operates 150 factories to supply its commodities, and even a tea plantation in Ceylon of 35,000 acres. The protection which the English co-ops give English consumers is incalculable. Their influence spreads far beyond the co-ops themselves. Exploitation in the distribution systems and in many lines of industry has been minimized by the organized consumers.

SWEDEN LEADS THE WAY

Sweden has been even more conspicuously successful with consumers' cooperation than England. The Swedes took up the movement about 40 years ago from the retail end, and after a decade or two of foundation building they came out with a "trust busting" program that has shown to the entire world the power consumers can wield if they but organize.

Today there are 635 consumers' cooperative societies in Sweden, with a family membership of 550,675, which is about a third of all households. The co-ops do over 20 percent of the retail and wholesale trade and do 10 percent of all manufacturing in the country. They have broken the margarine, flour, light-bulb, rubber, and other trusts that exploited the people by simply going into the business and operating at cost or, more specifically, on Rochdale principles.

INTERNATIONAL COOPERATIVE ALLIANCE

Other countries have successful consumer movements, notably Denmark, Finland, and, with reservations, Russia. France, Germany, and Italy, as well as smaller countries, have consumer movements but not so outstanding as some

of the others. In 1935, 40 countries were represented by the International Cooperative Alliance, with 300,000 societies and a total membership of 100,000,000 consumers. The consumers' co-ops of the world had a turn-over of about \$20,000,000,000 in 1934.

COOPERATIVE LAW OF MINNESOTA

The essential features of these Rochdale principles are codified in the Minnesota cooperative law of 1923 and subsequent amendments. The experience of almost a hundred years has demonstrated that Rochdale cooperatives are eminently just to all people and, therefore, successful. Many cooperatives deviate in some respects from these principles.

COOPERATIVE AND CORPORATION COMPARED

Cooperation is a method of business very different from the corporation. Here are seven cardinal features of business organization and operation as these features exist in cooperative- as contrasted with corporation-controlled business.

| | Cooperative | Corporation |
|------------------------|----------------------------|--------------------------------|
| Membership..... | Unlimited..... | Limited..... |
| Vote (control)..... | By persons..... | By stock..... |
| Return on capital..... | Limited (6-8 percent)..... | Unlimited..... |
| Price..... | Market..... | Market..... |
| Profits..... | To patrons..... | To stockholders..... |
| Organization..... | Federations..... | Trusts..... |
| Method..... | Mostly education..... | Promotion and advertising..... |

A corporation is a business owned and controlled usually by a few investors, operated in the interest of themselves, carried on by methods that bring in the maximum profits. It is autocratic, and sometimes antisocial. On the other hand, cooperatives are owned and controlled by many people, operated in the interest of the consumers themselves, carried on by methods which have as their aim the greatest good to the greatest number. They are democratic and social.

BENEFITS OF COOPERATION

The whole purpose of consumers' cooperatives is to provide material and cultural benefits to the cooperators and society in general.

The material benefits are several. The most important is that consumers get their supplies and services at cost. This increases consumer purchasing power. Or stated another way, it increases a worker's real income, in that he, as a consumer, gets more goods for the same amount of money. This increase in purchasing power the cooperatives accomplished in three ways: Directly by patronage dividends; indirectly by "yardstick" control over profiteering in ordinary profit business, lowering the price to the entire community; and thirdly, by the greater efficiency possible in a business system that serves a known market and is exempt from some of the expensive overhead carried by highly competitive business. Consumers are protected as to quality, because in reality they are on both sides of the counter. This quality protection amounts to an increase in purchasing power.

Another material benefit to society is the effect cooperatives have in helping to prevent depressions by preventing concentration of purchasing power. This the co-ops do by producing and distributing at cost, eliminating profits; and by paying a high average wage to workers so that they may buy back the products they produce and prevent accumulation of a surplus. The principle is, raise low wages and reduce high salaries in executive divisions.

CULTURAL VALUES OF COOPERATION

By no means less important are the cultural values of cooperation. It is well known what a highly competitive capitalistic system does to people. The ethics of uncontrolled capitalism are those of the jungle. The system forces people to hope for, work for, and ever pray for the economic destruction of competitors, their own neighbors. Catastrophe is a consummation devoutly to be wished, because it is "good for business." Fire, flood, and war furnish temporary business booms. That is how the economic world is organized at present. Hypocrisy, sham, deceit, crime, and

immorality are rampant in the land. They are all a part of our everyday business activity.

THE ETHICS OF COOPERATION

Cooperation based on mutual aid is something quite different. In this system everyone shares in good fortune; and everybody loses by destruction and sabotage, because there is no profit in it for anybody. The only opponents are the elements of nature—scarcity—not man.

Cooperators and their employees derive the satisfactions inherent in teamwork. They all have one purpose. In no other business are employees given an opportunity to examine the books and take part in the affairs as they do in co-ops. Cooperators and employees alike become part of an integrated movement, ideal enough for the dreamer and reformer, and at the same time eminently practical, a rare combination.

CONSUMERS' COOPERATION IN UNITED STATES

As early as the forties, buying clubs had sprung up in New England for service to consumers. They were short-lived, and nothing of consequence appeared on the scene until after the Civil War, when the Grangers, a farmers' organization, swept the country and established cooperatives, both producer and consumer, from the seventies until the nineties.

The Sovereigns of Industry and the Knights of Labor developed cooperatives about the same time. In the eighties the Farmers' Alliance also tried consumers' cooperation. Although they all left their mark on the movements, only very scattered remnants are left of these crusades. Some cooperators believe that their failure was due to violation of Rochdale principles, the class nature of the movement, and inadequate laws. Laws were almost universally nonconducive to cooperation until the last 15 years. Even a year or so ago only 32 States had special cooperative laws.

FINNS COOPERATIVE LEADERS

During the latter part of the nineteenth century there appeared in America a sturdy group of real torch bearers of Rochdale cooperation. They had learned the business in their homeland, Finland, and now transplanted it to their new home in northern Minnesota, Wisconsin, Michigan, Massachusetts, and other States. Through all the comings and goings of consumers' cooperatives during the last few decades, the Finns have kept the light.

At present there are estimated to be about 9,000 consumer societies in the United States, with a membership of about 2,000,000, doing an annual business of \$365,000,000, a million dollars a day.

Until 1915 the budding movement had no central organization. Since then, the Cooperative League of United States of America, with Dr. J. P. Warbasse, the American godfather of Consumers' Cooperation, as president, has served as educational coordinator. Headquarters are at 167 West Twelfth Street, New York City. The league publishes a monthly, Consumers' Cooperation, and is also the American connection with the International Cooperative Alliance.

TYPES OF COOPERATIVE ENTERPRISE—FIRST: COOPERATIVE STORES

The store is the business institution that has the most frequent and intimate connection with the consumer. It was, therefore, quite natural that the store was the first business entered into by the Rochdale Pioneers. It came closest to their lives, and it was through the store that they were badly exploited by the business world, next only to their exploitation by the mill owners.

EARLY ENGLISH CO-OP STORES

The consumers' cooperative movement started in Rochdale, England, in 1844. This was a period of turbulence in the economic and social life of those countries where the industrial revolution was getting under way. Little or no restraint was exercised by the government or other social forces over the profit-hungry industrialists engaged in a life and death struggle for business existence in a highly competitive system. Numerous reform movements sprang up as they always do under economic pressure. Among these were political solutions, notably the Chartist movement, whose votaries

believed that the peoples' trouble would all be solved if they but had universal suffrage.

PRICE WITHOUT PROFIT

Others, notably Robert Owen, a wealthy manufacturer with a social viewpoint, advocated an economic system of "price without profit."

It remained for a Dr. King, also a man of wealth, to launch a real frontal attack on "poverty, disease, and crime." He attacked economic and social problems together, believing they were one. To accomplish this he started cooperatives, about 300 stores, knowing that if people were to help themselves, they must have economic power. And, in his words, "knowledge and union are power."

Although these stores stumbled over the Chartist movement and failed, Dr. King's work led up to the success of Rochdale, already mentioned. It was in this way that the consumers' cooperative movement, with its thousands of societies in practically every country, with over a hundred million members, started as a store movement. It all arose out of an economic need—need for a solution to everyday economic problems.

NECESSITY BRINGS REFORM

It cannot be stressed too strongly that economic institutions and movements, as well as political programs, are motivated to a considerable extent by the facts of stern necessity. People do not take action in the economic world just for the fun of it. They expect better conditions to result from their actions, either to themselves or to others. Always something must stimulate the action. It is this cause-and-effect relation which makes the progress of the cooperative movement halting, jerky, and even sporadic, although a successful movement when viewed as a whole. The economic pressure is not always equal or compelling.

COOPERATIVE-STORE HISTORY IN UNITED STATES

Especially is this halting progress true of our own country. The United States has been a pioneers' and adventurers' paradise during most of its history. New territory, cheap land, unstable communities with a fluctuating population were not conducive to organized cooperation on a permanent, integrated basis. Such cooperation as exists was informal, such as house-raising, husking-bees, quilting-bees, and other forms of shared work. Also, pooling of purchasing orders was common in order to save neighbors the necessity of all going long distances for supplies. Buying clubs were organized quite early, in New England, but nothing permanent resulted from such ventures. It remained for the agrarian Middle West to pioneer organized consumer cooperation in America, beginning during the hectic reconstruction days following the Civil War.

THE FIRST GRANGE ORGANIZED IN ST. PAUL IN 1868

The Grange, officially the Patrons of Husbandry, established cooperative stores as a part of its program. The Grange is of special interest to Minnesotans because the first grange was organized in St. Paul in 1868. The State grange came the next year, followed by Illinois, Iowa, Indiana, and other States, until the grange movement was a crusading farmers' "uprising" that proposed to eliminate all middlemen, market its own products, and manufacture and distribute its own supplies.

High taxes, mortgaged farms, high prices on supplies, railroad swindles and rebates, together with low prices for farm products, all motivated the Grange. It lived through the panic of 1873 but became less active after that crisis. Isolated grain elevators and a few stores remain from the Grange. The State of Washington has a number, some of more recent origin. We have four of these stores still going in Minnesota.

The grangers set up their own stores throughout the Middle West especially, making collective-bargaining agreements with local merchants. There were no cooperative laws in those days, so the stores were organized as ordinary corporations, with stock-share control.

GRANGE CENTRAL WHOLESALERS

Attempts were made by the early grangers to establish central wholesalers. The Ohio Grange at one time had one

at Cincinnati. It sold goods at cost instead of at market prices according to the Rochdale principle. Ohio tried again, this time with a patronage-dividend feature, but no provision for reserves. The control also was vested in the stock, in violation of another Rochdale principle. It lasted a couple of years and then was gone. A wholesale sponsored by the Grange now operates out of Seattle, Wash., called the Grange Cooperative Wholesale. It is successful.

SOVEREIGNS OF INDUSTRY

The unrest of the post Civil War period affected the cities as well as the country, and industrial organizations similar to the Grange sprang up to meet the issues. One of these, the Sovereigns of Industry, also a secret order like the Grange, set up stores throughout the East from 1874-79. One hundred and one of the three hundred and ten councils (three in Minnesota) had consumers' cooperatives of some sort. Although the leaders advised sound Rochdale rules, about half of the 100 worked under trading agreements with local dealers and 26 of the others sold at cost, contrary to Rochdale principles. Although they had a high purpose, the procedure followed may have contributed to their defeat.

KNIGHTS OF LABOR

The Knights of Labor in the eighties set up stores in the industrial East as a source of income for the organization. They merely gave a discount to members in good standing. In other words, it was not really a consumers' movement, but rather a method for supporting the parent organization. At least two organizations sponsoring consumers' cooperation are today continuing this practice in a modified degree.

FARMERS' ALLIANCE

During the eighties also another farm organization, the Farmers' Alliance, set up consumers' supply cooperatives, especially in the South. Their experience was similar to that of the Grange.

Up till the nineties most cooperatives, both producers' and consumers' were generally considered failures. About that time fortune changed, and to this day cooperatives in the United States have made progress.

FARMERS' UNION COOPERATIVES

In 1902 the Farmers' Union started to set up stores as well as other cooperatives. This organization is still in the business in the Middle West, and has a fine, new wholesale plant at Omaha, called the Farmers' Union State Exchange. It deals in other things besides store supplies, petroleum, and machinery and its sales for 1934 amounted to over \$2,000,000. It is the oldest of the four wholesales supplying cooperative stores. The Farmers' Union stores and wholesales serve a purpose in the movement, especially in making the American farmer consumer conscious.

SOCIETY OF EQUITY

The Society of Equity, another farm organization of the Middle West, set up stores as part of its program, although it primarily sponsored grain elevators. It is now out of the picture. The Farmers' Equity Union of 1917 met a similar fate.

FARM BUREAU COOPERATIVES

In 1911 the Farm Bureau was established. It now has organizations in 45 States, and 17 of these have cooperative service companies sponsored by the Farm Bureau Federations. The cooperative phase of the Bureau is a later development, Indiana starting first and Illinois next. The Ohio Farm Bureau also has a strong consumer movement, chiefly farm supply, associated with it. So far, stores have not been developed by the Farm Bureau, but they are directly in line with their program of expansion. Indiana and Ohio have recently declared themselves in favor of city consumers' co-ops, that is, stores.

The other historical developments of the store movement are so closely associated with the movement in Minnesota that I will take them up in that connection. In general, it can be said that our cooperative store movement has lagged behind that of other countries. Up until recently the laws were unfavorable. Only about 32 States now have general cooperative laws. Also, in this country the existing non-cooperative stores are highly efficient. Exploitation at the

retail end is comparatively small in the store business, consequently the need is not so apparent, and the immediate savings to the cooperator are small. It takes real cooperators to make a store successful in our country. The development has not been rapid.

PRESENT EXTENT OF STORE COOPERATIVE DEVELOPMENT

At present, however, there are about 500 store societies in the United States, with a membership of about a hundred thousand families. There are a few successful city stores, but most are in small towns. Ninety percent of the membership is made up of farmers.

MINNESOTA LEADS

The complete figures are not available for showing the distribution among the States, but in general those in the upper Mississippi Valley lead all the rest. Minnesota leads with 103, followed by Wisconsin, Michigan, and Nebraska. North Dakota and Iowa are somewhat lower. Massachusetts has a good showing in the East, followed by some of the other New England States. On the west coast, Washington leads with about as many as North Dakota, followed by Oregon, and then California. Our figures show that 12 States, mostly in the South have none. Other States have a few here and there.

COOPERATIVE LEAGUE, COORDINATING AGENCY

Up till 1915, stores as well as other cooperatives lacked a coordinating agency. Since then the Cooperative League of the United States of America has served in this capacity. Also four wholesale societies are active in promoting and servicing some of the stores, probably a fourth of the total.

The Central Cooperative Wholesale, Superior, Wis., is the outstanding one. The Farmers' Union State Exchange, Omaha, is the oldest. There are two others, the Grange Cooperative Wholesale, Seattle, also the Eastern Cooperative Wholesale, of New York City. Two others have started during 1935, one in connection with the Consumers' Cooperative Wholesale Association of North Kansas City, Mo., a large oil wholesale; and the other a brokerage business through the Central States Cooperative League, Chicago, which is called the Central States Cooperative Wholesale.

THE STORE MOVEMENT IN MINNESOTA

There are in Minnesota today 103 store societies which are more or less cooperative. Taking the State as a whole, with its 87 counties, this is an average of one and one-fourth per county. Forty-two counties, almost half, have no cooperative store society; 20 have only 1, 16 have 2, 5 have 3, and the remaining counties have 4, 5, 6, and 23 societies, respectively. The latter is St. Louis County, a large county extending north from Duluth. Carlton County, just west of Duluth, is second in number of societies. In all, there are 15 branch stores operated by these societies, making, all told, 118 cooperative retail outlets in the State. About half of these are within a hundred miles of Duluth. The rest are scattered rather evenly through the open farm country of the south and west.

TWO CO-OP STORE SOCIETIES IN MINNEAPOLIS

The stores are mostly in smaller towns, and even cross-roads. But Duluth has two societies, though small; Minneapolis has two, both started in 1935; and several of the larger towns, such as Hibbing, Virginia, Cloquet, have fine cooperative stores. Of the 89 societies that answered a questionnaire as to proportion between farmer and town membership, 69 said that their membership was two-thirds or more farmers; 11 said half farmer and half city; and 9 stated that their membership was two-thirds or more urban. The societies are predominantly farmer; the areas in which they operate are largely agricultural. In this respect the movement in Minnesota differs from that of England and Sweden, where the cooperative movement started and has had its best development in the cities.

AFFILIATED AND INDEPENDENT TYPES

The societies can be conveniently divided into two categories: Affiliated and independent. The independents are the larger group, with 65 of the 103 stores, or 63 percent of the total. Four of these, however, are associated with a

central—the Central Cooperative Wholesale—in a small way. These independents aim to effect a small saving to the consumer at the retail end. They have not gained control of the wholesaling and production of consumer goods.

The highest percentage of failure is among these non-federated societies. In general they are located in the southern and western halves of the State, away from the chief centralizing organization in this territory, the Central Cooperative Wholesale, of Superior, Wis. This makes it almost impossible to deal with the C. C. W., as they are outside its trade area. There is need for a central wholesale or branch in the Twin City trade territory to coordinate the co-ops in the southern half of the State.

AFFILIATED STORES

The more truly cooperative store societies are those affiliated with the central organizations for buying, education, and promotion. Of the 103 in the State, 38 are federated into two separate central organizations, both of them with headquarters at Superior, Wis. As Superior is just across the State line from Duluth, these centrals are an integral part of the Minnesota movement. The two centrals were together up to 1929, when internal dissension arose, and a small group of stores withdrew and formed a separate central wholesale called the "Workers' and Farmers' Cooperative Unity Alliance." It has remained a small organization with four societies in Minnesota and a few in Wisconsin. One society it took over has since died for lack of patronage.

Thirty-four of the cooperative store societies in Minnesota belong to the larger organization, the Central Cooperative Wholesale. About 100 stores in this State, Wisconsin, and Michigan, own and operate the central on a purely cooperative basis. Those in Minnesota are practically all located within a hundred miles of Superior and are predominantly made up of Finnish people. They are the purest cooperative stores in our State.

HISTORY OF COOPERATIVE STORES IN MINNESOTA

The Grange organized the first cooperative stores in Minnesota; it established co-ops in other States. The granger movement had its beginnings in our State—1868—so this was quite natural. We do not know just how many were started between the years 1875–1900, when that organization was most active, but there were quite a number. Of these four remain to this day: Clark's Grove Mercantile Co., 1891; Farmers' Mercantile Co-op., Underwood, 1892; Nelson and Albin Mercantile Association, St. James, 1896; Union Cooperative Mercantile Co., Oxlip, 1897. They are all independents, unaffiliated with other cooperative societies.

RIGHT RELATIONSHIP LEAGUE

The Grangers slumped for a time in Minnesota. New organizations came into being here and there, but more failed. Then, in 1906, a new interest was aroused by the Right Relationship League, headed by E. M. Touseley and two other promoters. The league was apparently motivated by a high ethical purpose, as the name suggests, and, with enthusiastic promotion, they proposed to convert Minnesota to consumers' cooperation in a hurry. To this end they at one time had 16 organizers in the field, with headquarters at Minneapolis. They meant to take over one established store in each county to begin with. They also established stores in the Twin Cities, and had a wholesale in Minneapolis for 6 months. A monthly magazine, Cooperation, was published for a short time.

The Right Relationship League organized probably 50 stores, all but 3 of which are out of existence, at least as cooperatives. The three survivors are at Lindstrom, Willmar, and New York Mills. The first two are independents. The New York Mills store is a member of the smaller central at Superior.

The Right Relationship League, as the Grange before it, worked chiefly in the older and better agricultural sections of the State, although the R. R. L. did organize on the Iron Range. This situation was very natural, as in the days prior to the war northern Minnesota was much less developed than it is today. The region had the instability of a lumber and

mining camp, which it essentially was. Such instability in population and industry is not conducive to cooperation.

FINNISH COOPERATORS

But it so happened that in the early part of this century Finnish immigrants began settling in that northeastern section of the State, and they brought with them the knowledge of consumers' cooperation. The movement had come to Finland in the nineties and had had a favorable development from then on. The Finns not only knew the method of cooperation but they knew the necessity of it. They had experienced hard times under the czar and had developed a spirit of communal self-reliance that other people in the New World lacked. They are cooperators by nature, and wherever they settled they started cooperative enterprises among themselves. Besides our own State, Wisconsin, Michigan, Illinois, and Massachusetts have good cooperatives built by Finnish people.

FINNS KEEP ROCHDALE PRINCIPLES

From about 1910 on to the present the Finnish people have sponsored what is generally considered the best store movement in our State. They have kept the Rochdale principles and proved that consumers' cooperation can work even in as difficult a type of business as the retail store. Contrary to the previous experience in this country, the Finnish stores have had few failures. Of those connected with the C. C. W. only two have failed in the last 10 years, and those under unusual circumstances.

The greatest period of development for cooperative stores was from 1911 to 1922. During this 10-year period the Grange and Right Relationship League stores were still going, and the Finnish stores were spreading. Others were active independently as well. A study made in 1917 estimates that there were about 125 stores in the State in 1914. While the estimate may be high, there no doubt have been more failures than incorporations during the last two decades, bringing the total number down to 103 for 1935.

CAUSES OF FAILURE

The causes of failure have been many and complex. Sel-dom is it possible to give the exact cause. However, one classification of reasons for failure of 85 stores is as follows:

| | |
|---------------------------------|----|
| Inefficient management..... | 25 |
| Insufficient capital..... | 15 |
| Too liberal credit policy..... | 14 |
| Lack of leadership..... | 13 |
| Lack of cooperative spirit..... | 11 |
| Too many competitors..... | 7 |

COOPERATIVE SPIRIT ESSENTIAL TO SUCCESS

Although the classification has merit in that it tries to be specific and designate the "last straw that broke the camel's back", all the causes but the last, "Too many competitors", can be charged up to the one called "Lack of cooperative spirit." For we now know that the stores succeed in about the same ratio as they adhere to proper cooperative principles. These cannot be followed unless the leaders and the rank and file understand what cooperation is all about, and they cannot have a proper understanding and spirit unless they have been properly educated. That is the crux of the whole movement—understanding through education.

At present the affiliated stores are going slowly ahead in numbers and rapidly ahead in trade volume. Five or six new store societies have been started in the last year or so, at least two of them with no central connections. Mergers have taken place in recent years, cutting down the number of societies. Branch stores—at least 15—increase the number of retail outlets without increasing the number of societies.

EDUCATION NECESSARY

No sudden boom of cooperative stores is anticipated, for it takes real cooperators to run a store society in our country today. A possible future growth may come about in connection with the oil associations. They are easier to establish, and after the oil associations have sold the idea of cooperation and educated the members the stores will be easier to start and maintain. This has already been done successfully in at least one Minnesota town, Cambridge.

CENTRAL COOPERATIVE WHOLESALE, SUPERIOR, WIS.

Thirty-four societies, together with about 65 in other States, own and operate a cooperative wholesale at Superior, Wis. It is generally known as the best of its kind in America, an excellent example of what loyal cooperation can do.

It was started back in 1917 with a "pass the hat" collection of \$15.50, in response to discrimination against the Finnish cooperative stores during the war. In January 1935 it had a net worth of \$200,000 and total assets of \$315,000. It has handled \$20,000,000 worth of merchandise for its members, and in 1935 sold \$2,200,000 worth of goods. In addition to building up the wholesale, the C. C. W. has returned to its members in actual dividends and cash close to \$300,000.

GROWTH OF SUPERIOR WHOLESALE

In 1935 the cooperative wholesale took over a fine plant which a competing wholesale was not able to maintain. It operates a bakery in Superior with an annual output of a hundred thousand dollars. Also it has as a subsidiary a publishing association which publishes among other things an excellent semimonthly cooperative paper, the Cooperative Builder, and a similar paper in Finnish, the Finnish Weekly. An auditing service is also maintained. The C. C. W. now employs 65 people.

The wholesale has expanded its services until now it handles a complete line of groceries, bakery goods, general household supplies, a limited line of clothing, hardware, and paints, feeds, petroleum and accessories. It has 200 products bearing the co-op label. It carries high-quality goods, and other grades honestly labeled as such.

NORTHERN STATES COOPERATIVE LEAGUE

In addition to its merchandising, the C. C. W. is the fountain-head for cooperative education and promotion in their part of the State. To this end it conducts training schools for employees, and other activity for members. Much of this is done in collaboration with the Northern States Cooperative League, of which the C. C. W. is the most prominent member.

The C. C. W. is a member of the Cooperative League of U. S. A., and the National Cooperatives, Inc., a petroleum wholesale federation with seven member wholesalers.

As with the local societies in the C. C. W. group, the wholesale is extremely democratic in its control. Cooperative societies, only, are members. No officers, or any other individual may hold stock. Shares are \$100. Each member society has 1 vote for every 50 members, provided that for each 50 the society holds 1 share in C. C. W. The control is in this way placed securely in the hands of the ultimate consumer.

Fifteen board members are elected by the members on a district plan, and these people really manage the C. C. W. They meet at least once a month and supervise the activity of the full-time manager.

FEDERATIONS

Three groups of cooperatives in the Central Cooperative Wholesale, Minnesota territory, are organized into what are called regional federations. Each includes the cooperative stores, as well as other co-ops, within a certain region. The member societies hold all the stock in the regional, and each society has one vote; the patronage dividend is paid back to member societies. They are organized for various purposes, as for example trucking, petroleum distribution, burial service, sausage manufacture, garage operation, social purposes, and education. In other words, to do those things for which the locals are too small. Their function partially overlaps the C. C. W., but not seriously.

The three are the Range Cooperative Federation, with headquarters at Virginia, and 14 members; the Carlton County Cooperative Federation, with headquarters at Cloquet, and 12 stores, 1 creamery, and 1 oil association as members; and the C-A-P Cooperative Federation (Carlton, Atkin, Pine Co.'s), with headquarters at Kettle River, with 5 stores and 1 creamery as members.

RETAIL STORES OF CENTRAL COOPERATIVE WHOLESALE GROUP

As previously stated, all but 3 or 4 of the 34 Minnesota societies belonging to the Central Cooperative Wholesale

group are located within a hundred miles of the Central Cooperative Wholesale at Superior. These societies operate 15 branches, making in all 49 retail outlets. They are federated into a central for wholesaling, education, and promotion. Most of the stores date from about 1910 on; the C. C. W. from 1917. The data for most of the information I have about this group was collected from 30 societies in 1934. (C. C. W. Yearbook, 1935.)

SIZE OF RETAIL STORE SOCIETIES

First of all, to give an idea of the size of the societies, the total assets of the smallest society were \$4,147; for the largest they were \$153,412; the average total assets for the 30 societies being \$29,763.80. Of these assets, 59 percent were current; 11 percent, long term; and 30 percent were fixed assets—land, building, and equipment.

Of the liabilities, only 19 percent were current. This shows a strong position, since current assets were 59 percent or almost three times as great. Net worth averaged \$23,798, or 82 percent of total liabilities. Of this, paid-in share capital was \$12,336; reserves and undivided surplus was \$11,462. All of which means that for every dollar put into the business by the consumers, there is now \$1.92 in book value. In other words, the book value of the stock is about double its par value. This indicates a sound position.

Of course, averages do not tell the whole story, because some of the societies are very small and a few very large. The one with smallest paid-in-share capital had only \$1,720; the largest had \$70,625. Generally the shares are \$10 with a limit of 20 shares per member. The general aim is to keep the interest-bearing-share capital as low as consistent with efficient operation, and gradually to build up the business by reserves instead, which do not bear interest and which are therefore social capital. About half of the societies have reserves equal to or exceeding the share capital. Five have reserves over twice as large as share capital.

VOLUME OF SALES

Now for the operation of the 30 stores. The average sales were \$70,312. However, due to the extremely large sales of the Cloquet Society—\$736,908—the average is not a true picture. Only eight societies are above the seventy-thousand mark. With Cloquet left out, the average is \$47,325, with a low of \$14,854 and a high of \$178,607. Six societies had sales over a hundred thousand; 11 between one hundred thousand and fifty thousand; 14 between fifty and twenty-five thousand; and 2 between twenty-five thousand and the lowest. About \$25,000 in annual sales is considered necessary for efficient operation.

LOW MARGIN ON SALES

On these sales the average gross margin was 15.16 percent. The lowest was 6.7 percent; the highest, 22.1 percent. All others were between 10 and 20 percent. The average gross margin on sales of 15.16 percent is a small margin on which to do business and makes it clear why the store business is a difficult one for cooperatives to handle in this country. The percent of gross margin on income from all sources, sales and other, was 16.14 percent.

The operating expenses ranged from a low of 7.28 percent to a high of 23 percent of total income from all sources. The average was 13.13 percent. For all societies, this left a net income of 3.01 percent of gross income from all sources. Three of the societies went into the red. It is obvious from this low average net income that the patronage dividends are small in the store cooperatives. Indeed, 4 or 5 percent is considered very good, although a few pay higher. The patronage dividends, of course, are declared only after reserves have been set aside and interest paid on capital. Some of the societies pay less than the legal rate of 6 percent on capital stock, and a few pay none, considering the shares more as certificates of membership.

NET PROFIT ABOVE THAT OF CHAIN STORES

The net profit on sales in 1933 was 0.98 percent above that for chain stores and 0.78 percent above that for the independent stores. This is due in part to the lower overhead in the country districts, but also to the efficiency of operation, as indicated by some of the co-op stores in larger towns.

The salary and wage item accounts for about half of the operating expense of the stores. The figures are not at hand for the 30 stores, but for 78 co-op stores in Minnesota the managers received an average monthly salary of \$110. The average of the lowest salaries paid to employees in these societies was \$54.

CASH BASIS

It is the Rochdale policy to operate on a cash basis. This is not strictly adhered to by very many societies. The average credit sales in 1933 were 9 percent of annual sales, or a little over 1 month's business. The trend is toward less credit.

It may seem to some that cooperative stores which pay out only a 2- or 3-percent patronage dividend are not worth the effort. However, these are lean years everywhere; also, some societies pay considerably more. And even at the low rate, a saving of ten to thirty dollars a year by a family is a worth-while effort. In fact, it is quite an item in many families.

BIG DIVIDENDS UNIMPORTANT

However, real cooperators—and the Finns are real cooperators—are not out after big dividends. They are out for distribution at cost. And a small patronage dividend in an efficiently run store means that they are getting close to that goal. They know that the continued presence of their society is a safeguard against a return of shoddy goods and exploitation at the retail end.

GET THE CONSUMER'S DOLLAR INTO THE COOPERATIVE SYSTEM

Real cooperatives in the group also realize that the only way to build the movement back to the wholesale and into production—where exploitation is still running wild—is to get the consumer's dollar into the cooperative system. That can be done only at the retail end. And it simply must be done, even if there is no patronage dividend whatever, if the movement is to carry on its broad social program.

COOPERATIVE SOCIAL CENTERS

In many of the communities the cooperative is the social center, something which the people have in common for cultural as well as economic reasons. Some have cooperative halls for social purposes, and all of the societies carry on educational work through direct appropriations.

COOPERATIVE WORKING INDUSTRIAL UNIONS

Since 1930 the employees of the C. C. W. co-ops have sponsored a workers' union, organized on industrial lines. That is, all the employees in co-ops are eligible, regardless of their trade. The workers realize that the co-ops are different from ordinary profit business, and that they themselves are as much their own employers as the other members of the co-ops are. There is no exploitation by a small owning group. Obviously the program of the co-op and the program of the progressive union is the same—elimination of exploitation of the people by the few. So it calls for a union with that understanding. In 1934 there were about 400 members in Minnesota, Wisconsin, and Michigan. Nearly all employees in the cooperative stores in northern Minnesota belong.

The ultimate control of the societies is vested in the full membership. They meet at least once a year at the annual meeting to determine policy, and to elect members to the board. Some societies have full membership meetings oftener. The board, of 5 to 11 members, usually 9, has control in the interim. They serve 1 to 5 years, usually 3. Some societies pay the board members, others serve for expenses only. The rate of pay ranges from one to six dollars; one or two dollars per meeting is usual.

CONCLUSION: COOPERATIVE STORES

In conclusion, it has been said that if cooperative stores are to go forward, it might be well to take a lead from the Central Cooperative Wholesale group. They are the most successful, and also the purest Rochdale cooperatives we have. At present their activity is confined to one part of our State, but the C. C. W. may see fit in the near future to capitalize on the current interest in consumers' cooperatives and carry on an aggressive expansion program into other parts of the State.

COOPERATIVE OIL ASSOCIATIONS IN MINNESOTA

The data I have on cooperative oil associations was originally compiled in part by Walter Graham and A. J. Sprang. More detailed information on cooperative oil associations in Minnesota is contained in manuscripts, with their supporting work sheets, compiled by Walter Graham, Russel Lewis, and A. J. Sprang: (1) Cooperative Oil Associations in Minnesota; (2) Business Analysis of Cooperative Oil Associations in Minnesota; (3) Petroleum Gallonage in Minnesota.

Cooperative oil associations, although comparative newcomers into the consumers' cooperative movement, have proven to be unusually successful cooperative enterprises for this country. There are now approximately 2,500 of them operating in practically every section of the United States. The cooperative oil association idea is spreading rapidly and this kind of consumers' cooperative is experiencing a healthy, vigorous growth.

WHY COOPERATIVE OIL ASSOCIATIONS ARE SUCCESSFUL

There are several reasons for this, the primary one being that the retail margin is higher on petroleum products than on most staple commodities sold in quantity to consumers. A sample study of 45 associations, most of which belong to the "Midland" group, which has its wholesale in Minneapolis, shows that the gross margin—sales minus actual cost of products—ranged from 19.44 percent to 38.26 percent, averaging 28.23 percent on sales. This rather high gross income, coupled with large volume and efficient management, makes possible a substantial net income, which has averaged 10.82 percent on sales. The net income on invested capital has ranged from 7 to 31.5 percent.

COOPERATION PAYS

A net income of this size is substantial proof to the skeptics that cooperation pays, especially since most of it is paid back as patronage dividends, after first meeting interest charges and setting aside a substantial sum for reserves.

Being such a profitable business, it not only draws in the dividend seekers, thus making it possible to sell them on the larger aspects of consumer cooperation, but it also makes expansion possible because of the reserves accumulated. Less profitable types of cooperatives are of course hampered in their growth because they are not able to attract members with large patronage dividends, nor are they able to expand rapidly without sufficient reserves.

OIL COOPERATIVES VERY SUCCESSFUL

A second reason why oil associations are successful cooperatives is that the products handled are few in number and relatively simple to merchandise. A resourceful person can soon master the actual duties of operating an oil station. Breakage, shrinkage, and spoilage are not nearly as large as in a grocery business, for example. This is not to say that management is not important. It is of great importance. But personal attention to a tremendous number of details and leaks is not so necessary and hence hired help is almost as good as a proprietor's personal care.

As we all know, cooperatives in America are chiefly a farm producer's movement. The farmers started out years ago to market their products cooperatively. It so happens that the farmers are large users of petroleum products, and so it was a perfectly natural step for them to apply their cooperative experience to the purchasing of these commodities. Because of the large margin of profit and the relative ease of handling, the rural population has been able to unite in associations representing a large volume of business, and today the cooperative oil associations are the most promising entering wedge of the consumers' cooperative movement in America.

HISTORY AND GROWTH OF CO-OP OIL ASSOCIATIONS

Cooperative oil associations in Minnesota are of recent origin. The first one dates from July 7, 1921. At that time a group of farmers organized the Cottonwood Oil Co. at Cottonwood, Minn., in the southern part of the State. This is said to be the first oil association in the United States. Although it has remained a small association to this day, it rightfully can be considered the first of a large movement.

It is still a successful association and had returned \$52,753.46 as patronage dividends up to 1933.

A year later the farmers around Owatonna took the example of Cottonwood and started an association, the Central Cooperative Oil Co. This is a large association at the present time.

No new stations were organized in 1923, but in 1924 they really got under way and have made rapid progress in this State ever since. There were in January 1936 about 145 associations operating in Minnesota.

As stated before, the oil association idea originated in southern Minnesota. That territory is rich farming country, and the big farms required large quantities of petroleum products for power machinery. Other parts of the State, where there is more waste land and the population is less dense, for example, the northeastern third of the State, were slower in taking up the idea. The need was not so great there. The southern fourth of the State has about as many associations as the other three-fourths combined. In 1928 the 57 active associations were distributed in 30 of the 87 counties. Only four of these counties were in the northern half of the State. Next to the southern section the western counties have the best developments. There are now associations operating in 72 counties.

PRESENT STATUS OF OIL ASSOCIATIONS

As most of the associations have branches of one kind or another, it is estimated that, all told, there are 450 retail outlets for cooperative petroleum products in the State. The exact number is not known. New ones are added or unsuccessful ones discontinued as the idea develops.

The actual number of cooperators affiliated with cooperatives dealing in petroleum products is also not known, but between forty and fifty thousand families is an approximation. This is about 5 percent of the total population of the State. As the three large cities are very young in the business as yet, the percentage for the rural part of the State would be about 7 or 8 percent, roughly.

AMOUNT OF BUSINESS DONE BY OIL ASSOCIATIONS

In 1935 the cooperatives sold 39,122,531 gallons of gasoline, 4,371,519 gallons of kerosene, 8,352,275 gallons of distillate, a combined gallonage of 51,846,325. The combined gallonage for all companies in the State was 595,105,817, which means that the cooperatives distributed 8.71 percent of the light petroleum products in Minnesota in 1935. Only one company, the Standard Oil, did a larger percentage than the cooperatives.

The cooperatives and the six largest petroleum companies account for 44.48 percent of the oil business in the State. The rest is done by nine other "old line" companies (own refineries), and 1,400 independent companies.

Cooperatives gain in percentage of States' oil business

| | Co-op percentages | | | Percent of total light oil sold by six companies and co-ops | | | | | | |
|-----------|-------------------|----------------|------------|---|-------|----------|----------------|-------------|----------|-----------|
| | Gas | Co-op Kerosene | Distillate | Standard | Co-op | Phillips | Cities Service | White Eagle | Pure Oil | Texas Co. |
| 1933..... | 5.99 | 13.47 | 3.43 | 17.94 | 6.13 | 5.00 | 3.64 | 3.59 | 3.57 | 3.45 |
| 1934..... | 7.02 | 12.58 | 6.03 | 17.57 | 7.17 | 4.99 | 3.66 | 3.42 | 3.37 | 3.17 |
| 1935..... | 9.00 | 14.00 | 8.00 | 17.28 | 8.71 | 5.09 | 3.78 | 3.31 | 3.17 | 3.14 |

The Standard has by far the largest percentage, with 17.28 percent of the total. The cooperatives come next, with 8.71 percent, a little more than half of the Standard, followed by the five others. The cooperative oil associations are becoming big business when they are second only to the Standard Oil Co.

It should be noted also—and very significant is it—that in 1934 the cooperatives gained 1.04 percent over 1933 in percent of business done in the State, going from 6.13 percent to 7.17 percent; and in 1935 the gain was even greater, 1.54 percent. Two other companies went up a trifle, but all the

others lost percentage, including Standard Oil. From preliminary returns it appears that the cooperatives will show an increase in percentage of the 1936 volume of State business.

COOPERATIVES DO 71 PERCENT OF OIL BUSINESS IN KANABEC COUNTY

Although for the State as a whole the cooperatives are second, with 8.71 percent of the oil business, in some counties they are first by a huge margin. For instance, the Kanabec County cooperatives did 71 percent of the oil business in that county in 1934, more than all other companies combined, with 20 percent to spare. Nicollet County came next, with 35 percent, and Isanti third, with 33 percent, of the oil business in their respective counties. Contrasted with this, 15 counties had no societies or branches at all in 1933. Seventy-two of the eighty-seven counties have at least one society or branch. Leaving the three largest cities out of account, the co-ops did 12.9 percent of the retail petroleum business in the State.

The oil associations do a tremendous business. A computation based on 45 typical associations shows that their average sales in 1933 amounted to \$53,986.55. The 135 associations, on that basis, had a business of about \$7,288,184.25, a huge business to be carried on cooperatively, on a non-profit basis, by a system started from nothing only 14 years ago.

FINANCIAL POSITION AND RETURNS

On the total sales the gross income of the 45 associations ranged from 19.44 percent to 38.26 percent on sales in 1933, depending on transportation charges and trade conditions, such as price wars. The average gross was 28.23 percent. These same associations had operating expenses varying from slightly below 10 percent up to as high as 30 percent of gross sales. The average was 17.33 percent, leaving an average net income for the 45 associations of 10.82 percent on sales.

Five associations in 1933 had a net income on sales of less than 5 percent; 16 had between 5 percent and 10 percent; 19 had between 10 percent and 15 percent; 3 had between 15 percent and 20 percent; and 2 associations had net incomes over 20 percent of sales. In dollars the average net income was \$5,839.55. When stated in terms of capital investment the net earnings ranged between 7 percent and 31.5 percent.

HOW COOPERATIVE INCOME IS DIVIDED

The net income of a cooperative is usually divided four ways. According to law, 10 percent must be set aside for surplus until the accumulated surplus equals half the paid-in capital. Interest up to 6 percent may be paid on capital shares. A sum is set aside for education and expansion. And, lastly, the remainder may be distributed pro rata on purchases.

It is not known what the total earnings for all the oil associations have been since they began, but there are figures to show that they have been large, indeed. For instance, in 1933 the consolidated balance sheet for 52 associations shows that the average capital stock was \$9,283.55 and the reserves and surplus \$13,991.17. Net worth, or claim of stockholders against assets—the two items combined—totaled \$23,274.72. This indicates that the book value of the stock was 2.29 times its par value. In other words, a \$10 share of stock has now, on the average, a book value of \$22.90. Few stocks are like that these days.

FIVE HUNDRED THOUSAND DOLLARS RETURNED TO CO-OP PATRONS

The increase in net worth is not the real reward for cooperation in the oil associations. The associations actually disburse interest on the stock and also patronage dividends. In 1933 the oil associations of Minnesota returned approximately \$500,000 in savings to patrons. The percent patronage dividend on sales ranged from 4 to 18 percent, with an estimated average of 8 to 10 percent. This is over and above interest on stock, reserves, and surplus.

DIVIDENDS PAID BY CO-OP OIL ASSOCIATION

The aggregate patronage dividends over a period of years is, of course, very large. I am presenting a table of eight associations, selected without regard to size or success, which

give an idea of this. The period of years covered and the aggregate dividends paid are shown.

| Association | Period (Inclusive) | Aggregate dividends |
|-------------|--------------------|---------------------|
| 1.----- | 1925-33 | \$308,341.57 |
| 2.----- | 1925-33 | 232,506.92 |
| 3.----- | 1924-33 | 169,890.11 |
| 4.----- | 1926-33 | 134,236.32 |
| 5.----- | 1926-33 | 59,658.73 |
| 6.----- | 1928-33 | 49,080.40 |
| 7.----- | 1930-33 | 43,647.52 |
| 8.----- | 1924-33 | 34,722.43 |

These dividends have the effect of over \$1,000,000 of "farm relief" administered by only 8 of the 135 associations. Cooperation pays cash benefits in addition to the more intangible social benefits derived from self-help and mutual aid.

TYPES OF RETAIL OIL SOCIETIES

The 145 cooperatives retailing petroleum products in Minnesota can be divided into two types—consumer-member associations and oil departments of other cooperatives—depending on whether the consumer owns stock directly in a cooperative established primarily for the purpose of distributing petroleum products, or whether the consumer is interested in petroleum products secondarily through membership in some other kind of cooperative.

The first type, which the consumers own and control directly, is by far the most common. One hundred and twenty-one of the cooperative associations handling petroleum products are of this type. The remaining 24 organizations handling oil products as a department, and not simply as a branch or "pump accounts" of another association, are as follows: Cooperative creameries (6), cooperative elevators (11), cooperative stores (5), and the Minnesota Farm Bureau supply companies (2). Some of these are complete with pumps and bulk plant (storage tanks on railroad siding). Others have only service pumps.

REGIONAL OIL ASSOCIATIONS (RETAIL)

In the northern part of the State a number of cooperative societies with oil departments are organized into what are called regional associations. In all, 31 stores, 2 creameries, and 1 oil association are so organized into 3 regionals. One of these, the Range Cooperative Oil Association (Range Co-op Federation), with headquarters at Virginia, is owned by 14 cooperative stores. Individual consumers own and control it only indirectly through their local store. The stores are the only stockholders in the association. They get the patronage dividends and, in turn, pass them on to the consumer, together with dividends earned from the store proper. This regional is really one "oil association", owned by 14 stockholders, distributing oil to its 14 member societies, which operate oil departments in connection with their stores.

The Trico Co-op Oil Association (Carlton Co. Co-op Federation), with headquarters at Cloquet, is another such regional. It is owned by 12 stores, 1 creamery, and 1 oil cooperative. A third regional is the C-A-P Co-op Oil Association (C-A-P Co-op Federation) with headquarters at Kettle River. It is the smallest of the three with only five stores and one creamery as members. It will not be necessary to elaborate further on these regionals or any of the other set-ups in which petroleum is handled as a department of another type of cooperative. The oil associations are better understood by a study of the consumer-member type.

CONSUMER-MEMBER OIL ASSOCIATIONS

A typical consumer-member oil association is organized and set up much the same as any other Rochdale cooperative in Minnesota. The Rochdale principles as codified in the 1923 law and subsequent amendments are followed. The interested parties get together, hold meetings, and draw up articles of incorporation and bylaws. After these have been properly filed and permission obtained to sell stock, the subscription of capital is undertaken. The stock is of low

par value, usually \$10. The purpose is primarily to unite people and their patronage, not dollars, so a wide distribution of stock is desired.

Societies have been formed and successfully operated with as few as 68 stockholders and only a few hundred dollars capital. Several associations are successful with less than a hundred members. One hundred members is a safe minimum, if they are farmers. In general, the cooperatives are undercapitalized at first and need help from the better established cooperatives through the cooperative wholesale. As the patronage and membership grow, the capital and surplus becomes sufficient for working capital and expansion.

ORGANIZATION OF CONSUMER-MEMBER OIL ASSOCIATIONS

After sufficient capital has been accumulated to start the association going, the stockholders elect a board of directors to carry on the work, such as acquiring leases or property, hiring a manager, and exercising general supervision. The board is responsible to the members and the management to the board. Full membership meetings are held at least once a year, at which the affairs of the association are thrashed out. Some associations meet oftener. The boards usually have monthly meetings. In practice, the degree of membership supervision, director control, or employee control varies, depending on the interest and aggressiveness of the parties concerned. Generally speaking, however, the business of the oil associations is carried on democratically by the members through their boards and managers.

OIL ASSOCIATIONS START ON SMALL SCALE

The associations, of course, start out in a small way with a single bulk plant, perhaps, from which the tank trucks haul the products to the farmers' storage barrels on the farms. It may have a service station also in the town. Or a new association may start without a bulk plant, operating a service station only, buying from a bulk plant of another cooperative, or from a private company. Nine associations follow this practice, five of them in the Twin Cities. Twenty-four of the one hundred and thirty-six associations which operate bulk plants have one or more branch bulk stations strategically located in other towns, and even in other counties. An association in Freeborn County has eight branches, two of which are in an adjacent county. The other associations have fewer branches, however, varying from one to five. In all, there are about 50 branch bulk plants, making 186 bulk stations operated by cooperatives in Minnesota in 1935.

PUMP ACCOUNTS

In addition to these bulk plants and the service stations owned and operated directly by the association, most of the associations have several other retail outlets commonly known as pump accounts. These are service stations or curb pumps, neither owned nor operated by the association. They are usually privately owned. The oil association merely sells the co-op products to these accounts at a substantial discount, 3 to 4 cents per gallon on gasoline, and the operator of the pump account resells it. Some associations have an arrangement so that patronage dividends can be paid on purchases from the resellers. Others have no such arrangement, and the only advantage to the cooperative or the co-operators is the small margin by the association. The practice is not in accord with good Rochdale principles, which call for distribution to consumer, not sale to private dealers.

The reason for this violation at present is either the lack of capital and membership necessary for establishing a real association or branch or else the impracticability of doing so. In the meantime these accounts increase the volume of co-op products distributed, and in this way help build up the cooperative wholesales.

MANAGEMENT OF OIL STATIONS

The stations operated by an association are in the charge of a manager, who is usually paid a salary of from one to two hundred dollars a month, depending on the size of the association and the responsibility assumed. Some associations pay the manager on a commission basis. Tank-truck

drivers are paid either by salary or commission. In general, the straight salary is preferred in a cooperative, as it eliminates undesirable sales tactics and the speculative attitude. Also a fixed salary makes possible a more uniform division of wages to all employees. This is a good cooperative policy—the leveling of incomes up or down, so that all employees get a respectable living wage.

CASH BASIS IS CO-OP AIM

A second operating problem of utmost importance to a cooperative is the credit policy. Although credit trading is contrary to Rochdale principles, the oil associations, with a few exceptions, have been driven into it by the current practice of regular oil companies. Credit trading not only is dangerous because of the losses incurred but it ties up a large part of the working capital. Most of the associations can ill-afford this, especially when they are young and low on surplus. The average "accounts and notes receivable" for 52 typical associations in 1933 was \$6,616.22, or 23.42 percent of the total assets. This is potentially a very dangerous position, but by constant effort the drivers, managers, and boards have kept the actual loss very low, estimated as much less than 1 percent.

SUMMARY—RETAIL OIL COOPERATIVES

To sum up the organization of retail cooperative oil distribution in Minnesota, we can say that there are 145 associations, 3 of which are of the regional type as described; 50 branch bulk stations; 24 oil departments of other societies (not connected with a regional); a number of branch service stations; and many pump accounts. In all, probably 450 retail outlets, the exact figures not known.

CENTRAL FEDERATED OIL ORGANIZATIONS

Approximately two-thirds of the oil associations in Minnesota have followed the established Rochdale practice of federating into central organizations for carrying on the cooperative program. Of the 145 associations, 90 are affiliated with cooperative wholesale organizations. Forty-nine buy from sources other than cooperatives and six buy from unknown sources. These 49 (or 55) associations, therefore, are not contributing to the larger purpose of the cooperative movement, which aims to gain control of the distribution system from start to finish, and, wherever possible, take over production also. These 55 unaffiliated cooperatives simply effect a saving to the consumer at the retail end, a practical and worth-while motive but not of as great social and economic significance as the affiliated organizations.

FOUR CENTRAL OIL ASSOCIATIONS

There are four central organizations, or wholesales, handling petroleum and related products in Minnesota. This means that even the 90 oil associations with cooperative wholesale connections are somewhat divided in their efforts. The four wholesales duplicate services in several ways, and even compete with each other. Criticism has been made that the associations are all weakened by the dissension and co-operators who believe in the Rochdale principles hope that the points of difference will be resolved and that eventually Minnesota and neighboring States will be served through one united wholesale. The present situation is understandable in its historic origin.

1. MIDLAND COOPERATIVE WHOLESALE, 739 JOHNSON STREET NE., MINNEAPOLIS

In point of time, the Midland Cooperative Wholesale was first in the field with a brokerage organization in 1926. It was then known as the Minnesota Cooperative Oil Co., a nonstock, nonprofit business, financed by membership fees. Since then it has grown steadily until, in 1935, it did a business of almost \$2,500,000 through 135 affiliated oil associations who own and control it. Sixty-five of these are in Minnesota. This leaves 25 associations to the other 3 centrals. In other words, the Midland has two and one-half times as many affiliates in Minnesota as the other three combined.

I have a table summarizing the progress of Midland from its beginning:

Growth of Midland Cooperative Wholesale from beginning

| Year | Tank cars | Total sales | Percent increase | Total assets | Net income | Percent of sales |
|-----------|-----------|----------------|------------------|--------------|-------------|------------------|
| 1935..... | 4,004 | \$2,423,105.77 | 38.4 | \$321,999.81 | \$61,729.65 | 2.50 |
| 1934..... | 3,209 | 1,751,006.75 | 63.1 | 239,085.40 | 44,798.98 | 2.57 |
| 1933..... | 2,313 | 1,073,566.57 | 21.5 | 187,341.50 | 25,465.53 | 2.37 |
| 1932..... | 1,783 | 883,736.31 | 43.6 | 132,699.07 | 20,905.54 | 3.05 |
| 1931..... | 1,741 | 615,387.86 | 2.9 | 67,731.46 | 21,162.99 | 3.44 |
| 1930..... | 1,062 | 598,750.57 | 33.6 | 33,646.04 | 14,803.58 | 2.47 |
| 1929..... | 649 | 448,012.52 | 7.2 | 18,911.33 | 7,797.95 | 1.74 |
| 1928..... | 638 | 417,956.19 | 54.8 | 9,832.18 | 3,925.33 | .94 |
| 1927..... | 580 | 269,862.78 | ----- | 4,466.66 | 3,473.07 | 1.29 |

The growth is unusual, especially considering that 6 of the 9 years are depression years when other business systems were behaving quite differently.

Over 73 percent of sales were of gasoline, kerosene, and distillate. Lubricating oils came next with over 10 percent of sales, the rest distributed among accessories, tires, and batteries, and so forth.

In 1931 the wholesale acquired its own building and a blending plant for lubricating oils. In 1934 the organization was changed to a capital stock cooperative. As to the financial policy of the Midland, the wholesale has been built up entirely from savings, without capital subscriptions of any kind. The patronage dividends due member associations, after required membership shares of common stock have been earned, are issued as additional common stock or as preferred stock. On these obligations the wholesale pays interest to the associations.

MIDLAND ACTIVE IN ORGANIZATION WORK

Like all cooperative wholesales, Midland is active in the field organizing new cooperatives and promoting cooperation generally. Besides the 65 affiliates in Minnesota, Midland has 70 associations outside the State, mostly in Wisconsin. The wholesale follows a policy of constant expansion into new territory and new lines of activity. Recently, a branch wholesale has been established in Milwaukee. Lately, they have entered into such new lines as coal, paints, steel products, and some farm supplies. They have sponsored automobile insurance, credit unions, and rural electrification. The central organization is vitally interested in education and conducts schools and conferences for this purpose. It also publishes a monthly paper, *The Midland Cooperator*.

2. FARMERS' UNION CENTRAL EXCHANGE

The wholesale having the second largest number of affiliates in Minnesota is the Farmers' Union Central Exchange, of South St. Paul. It is a larger organization than the one previously discussed with 227 associations in all, but most of its associations are in North Dakota. It has 15 in Minnesota.

As the name suggests, it is a business enterprise carried on in connection with the Farmers' Union, an educational and protective organization. The Farmers' Union Terminal Association of St. Paul started the exchange in 1927, as a subsidiary, capitalized at \$1,000. The Midland (1926) and this Central had their small beginnings about the same time. The Farmers' Union, however, did not take on petroleum products until 1929. They both experienced rapid growth, and a natural, though unfortunate, rivalry resulted.

I have a table showing this growth from 1931, in which year the wholesale was reorganized into its present set-up under the Minnesota cooperative law of 1923. Included in the sales are those made at the wholesale's several retail branches. These accounts boost the totals considerably as they are carried at the retail price, which is higher than the wholesale price by about 25 percent.

Growth of Farmers' Union Central Exchange from 1931

| Year | Tank cars | Total sales | Percent increase | Total assets | Net income | Percent of sales |
|-----------|-----------|----------------|------------------|--------------|--------------|------------------|
| 1935..... | 5,244 | \$4,028,086.24 | 54.0 | \$582,800.51 | \$101,309.33 | 2.51 |
| 1934..... | 3,362 | 2,615,519.03 | 68.8 | 335,523.07 | 55,467.60 | 2.12 |
| 1933..... | 2,403 | 1,549,223.05 | 8.3 | 216,452.99 | 22,066.41 | 1.42 |
| 1932..... | 2,210 | 1,678,345.64 | 85.2 | 161,915.18 | 24,013.83 | 1.43 |
| 1931..... | 1,393 | 906,272.30 | ----- | 99,532.92 | ----- | .54 |

The total sales were made up over 60 percent by gasoline, kerosene, distillate; about 15 percent oils and grease; and 11 percent flour and feed; the rest in equipment, tires, twine, and other items.

NEW HOME OF FARMERS UNION CENTRAL EXCHANGE

In 1935 the exchange built a fine modern office, warehouse, and blending plant at South St. Paul, and now compounds its own oils the same as "Midland." The entire business has been built up from its initial \$1,000 capital to total assets of \$582,800.51 by retaining the savings in the business and crediting the member associations with their respective shares.

The Farmers' Union group of oil associations has been criticized by the more orthodox Rochdale cooperators on the score that it is attached to a politically minded farm class organization. While the charge is of course true—inasmuch as full voting membership is limited to farmers; and bankers, lawyers, and absentee landlords are denied the right of any kind of membership, and a check-off system is used for collecting Farmers' Union dues from patronage dividend accounts—yet it is claimed that these political and class characteristics are being gradually eliminated to comply with the open membership and political neutrality of Rochdale cooperatives. It is an historical process, and when completed the way will be open for more united action among the cooperatives of the Northwest. In other respects its commercial and educational activity is similar to the Midland, described above.

3. CENTRAL COOPERATIVE WHOLESALE

The third cooperative wholesale dealing in petroleum products is the Central Cooperative Wholesale of Superior, Wis. Although it is primarily a grocery wholesale, it took on petroleum in 1935 on a brokerage basis. Its Minnesota accounts are all in the northern part of the State, for the most part associated with the cooperative stores. The Central Cooperative Wholesale has about six associations buying through it.

4. FARM BUREAU SERVICE CO.

The fourth and last organization to take up the wholesale distribution of petroleum products was the Farm Bureau Service Co. This organization already was in the farm supply business in a small way and merely added this in June 1935. It has only two or three accounts in the State.

NATIONAL COOPERATIVES, INC.

Three of these wholesales discussed are members of the National Cooperatives, Inc., a national federation of wholesales. These three are the Midland Cooperative Wholesale, the Farmers' Union Central Exchange, and the Central Cooperative Wholesale. Five or six other wholesales in various sections of the country dealing in petroleum, farm supplies, and other commodities complete the organization.

National Cooperatives, Inc., Chicago, Ill., was established in 1933 to serve as buying agent for its members, thus pooling their bargaining power. Also, it is designed to render other useful services, such as legal and legislative assistance, and to coordinate the work in general. The organization is not perfected as yet, but during the last 3 years it has justified its existence and plans are being made to expand its activity. It did a nineteen-million-dollar business in 1934.

CONCLUSION: COOPERATIVE OIL DISTRIBUTION

This completes the story of cooperative oil distribution in Minnesota up to 1936. The progress has been remarkable, and the prospects are that the cooperatives will go forward to new achievements in the years ahead. Indeed, it may well be that the consumers will eventually dominate the oil-distribution business in the State. And success in this one field will show the possibilities for consumers' cooperation in other lines.

FARM-SUPPLY COOPERATIVES IN MINNESOTA

For my information on farm-supply cooperatives I am indebted particularly to San Morison; also to bulletin no. 1, put out by the Cooperative Division of the Farm Credit Administration, entitled "Cooperative Purchasing of Farm Supplies" by Joseph G. Knapp and John H. Lister.

Before going into the subject of farm-supply cooperatives it may be well to get clearly in mind the distinction between the "ultimate consumer" and the "producer consumer." The distinction is fundamental, although a definite demarcation of the two is not easy. A gradation exists between the two.

DISTINCTION BETWEEN ULTIMATE CONSUMER AND PRODUCER CONSUMER

For brevity we can say that the ultimate consumer procures and uses goods and services for maintaining himself as a person, while the producer consumer procures and uses goods and services for maintaining himself as a producer. Examples of the ultimate-consumer goods are groceries, clothing, housing; and in the case of the farmer, producer's goods are seeds, feeds, fertilizer, machinery, and so forth.

The distinction is quite important, because in the former case the farmer is interested in cooperation as a consumer, and in the second case as a producer—opposite ends of the economic system. The farmer presents a unique case, for he is producer and consumer in one person and has found that cooperation pays in every economic activity of his life—producing, marketing, and consuming. He achieves all three by a similar method, uniting with others of common interests to eliminate all unnecessary steps and expenses in carrying out the three functions.

I have already mentioned store cooperatives. For the most part, excepting those that carry farm supplies as a side line, these co-ops serve the ultimate consumer and are the best example of pure consumers' cooperatives. The oil associations are only consumers' cooperatives, in the ultimate sense, insofar as their products are used for domestic or pleasure purposes. Most of the products sold through them at present are used in the process of production. Exceptions to this are some associations that have recently been set up in the cities. If the farmer were not an individual but a factory, the distinction would be more apparent, and his purchases as a producer and as a consumer would not be confused.

Only when the term consumer is construed in its broad sense, meaning "user", can farm-oil associations and farm-supply cooperatives be considered consumer cooperation. Inasmuch as the cooperative movement in this country is chiefly rural we use the expression "consumer cooperation" in this broad sense, meaning "user." England, Sweden, and other countries make a clearer distinction.

THE ORIGIN OF FARM-SUPPLY COOPERATIVES

The American farmer first, quite naturally, thought of himself as a producer. Almost everyone in this country does. He soon discovered he was being exploited in marketing. So he took up cooperative marketing to stop it. Then it also appeared that the materials he used in line of production were always too high in price and frequently of inferior quality. So he took to buying farm supplies cooperatively. Now this realization is urging the farmer, as well as the town people, on to the logical end, that of pure consumer cooperation, for the purpose of supplying himself as an ultimate consumer.

However, the great bulk of the \$365,000,000 worth of goods bought cooperatively in 1934 in this country was farm supplies. The Farm Credit Administration estimates it at \$250,000,000, or about 70 percent of the total cooperative purchases in this country.

HISTORY AND ORGANIZATION OF FARM SUPPLY COOPERATIVES

Every farm organization that has sprung up in the United States has in some form or other sponsored cooperatives, purchasing as well as marketing. The Grange shortly after the Civil War and up to the eighties was strong for cooperative purchasing. The Grange left its influence with succeeding organizations, and even today the Grange sponsors cooperation, notably in the Pacific Northwest.

The Farmers' Alliance followed. And in 1902 the Farmers' Union was established. The Farmers' Union has been active in farm supply as well as other phases of cooperation, and is going strong today in this field, with two large central organizations, one at Omaha and one in St. Paul. There are the Farmers' Union State Exchange and the Farmers' Union Cen-

tral Exchange. Neither, however, is connected with the national organization at present.

The Society of Equity, 1902, did its bit and faded out. In 1917 the Farmers' Equity Union came in with elevators and creameries, carrying farm supplies as side lines in many cases.

In 1911 the most influential farm organization engaged in cooperative purchasing was started, the Farm Bureau. It now has organizations in 45 States, and 17 of these have cooperative service companies sponsored by the bureaus. Illinois, Indiana, and Ohio are especially strong.

INDEPENDENT FARM-SUPPLY ORGANIZATIONS

Besides these farm organizations which have sponsored buying of farm supplies, either through supply companies or as side lines of marketing co-ops, several independent organizations have taken up the work. Notable among these are the Eastern States Farmers Exchange, 1918. Another, the Cooperative Grange League Federation Exchange, 1920, is the largest in the United States, with a \$24,000,000 business in 1934.

Four other centrals, independent of farm organizations and which deal principally in petroleum products, are the Midland Cooperative Wholesale, Minneapolis; Consumers' Cooperative Association, North Kansas City; Consumers Cooperatives Associated, Amarillo, Tex.; and the National Cooperatives, Chicago. The last is a superorganization for seven regional wholesales, some of which have been named. Here great things are expected in the future.

At least three large independent marketing organizations have gone in for farm supplies as a side line: The Land O' Lakes, Minneapolis; Fruit Growers Supply Co. (California Fruit Growers Exchange); and the Washington Cooperative Egg and Poultry Association. In all there are estimated to be 6,000 local, primarily marketing cooperatives in the country carrying side lines, many of which buy through the various centrals.

In summary, the farm-supply cooperatives have been developed in the following four ways: (a) Buying co-ops, sponsored by a farm organization; (b) Buying co-ops developed independently; (c) As a side line of marketing co-ops, sponsored by farm organizations; and (d) As a side line of marketing co-ops, developed independently.

HOW FARM-SUPPLY COOPERATIVES ARE ORGANIZED

As to organization, they may be classified as local and regional. The locals restrict their activity to a convenient area, usually a county, or a part of one. Examples are the oil associations, creameries with side lines, and farm-bureau units. The regionals, or centrals, are usually wholesale agencies, serving a federation of independent locals; or they may be centralized set-ups which operate locals as part of a chain; or they may be a combination of the two, having both federated locals and branch locals for outlets.

Some of the supplies are delivered from the car door direct to the farmer, but most farm-supply co-ops have warehouses. Some of the centrals handle their goods by consignment through private dealers, or farmer agents. Some cooperators prefer the locally owned, autonomous, federated cooperative society because they believe it makes for local responsibility and for safety through democratic control.

PRODUCTS HANDLED BY FARM-SUPPLY CO-OPS

The principal products handled are feeds, fertilizers, seeds, machinery, twine, wire, insecticides, paint, package supplies, and such other commodities needed in quantity by the farmer as a producer. Co-ops have led the way in establishing high, dependable quality. Price reductions in the commodities to all users, whether members or not, have been worth while. Patronage dividends to members are substantial.

Several of the farm-supply co-ops have gone in for production, too. Feeds and fertilizers, seed cleaning, oil blending, package material, and other things of a production nature have been undertaken extensively and successfully. The purpose is to continue this expansion into all lines.

GROWTH OF FARM-SUPPLY COOPERATIVES

Since 1929 the amount of farm supplies purchased cooperatively has about doubled. The estimate is now a quarter

billion dollars per year. This is approximately 10 percent of the total spent by our farmers for such supplies per average year—1926-33. Figures for 1929, when the dollar volume was half what it is now, showed that Minnesota led all States in the number of farms reporting cooperative purchases. Minnesota was sixth, however, in total dollar volume in 1929. The comparison between the various States for later dates is not available.

SITUATION IN MINNESOTA (FARM SUPPLY CO-OPS)

In 1929, according to the Fifteenth Census, 21.4 percent of Minnesota farms reported cooperative purchases. This was 4 percent higher than the next State, Michigan. In that year the report showed that the cooperative purchases of farm supplies totaled \$6,414,232, or \$162 per farm. We were sixth from the top in total, and fifth from the bottom in amount per farm, meaning that in our State a great many farmers have cooperative connections, but they buy less per farm than do the farmers in 43 States. This is probably because we are a dairy State, not a vegetable and fruit State, which enterprises require more supplies and equipment not raised on the farm.

These figures do not represent the present status in our State. The total cooperative sales of farm supplies in United States has doubled since 1929, in dollar value, and more than doubled in volume. An estimate would then be that Minnesota bought cooperatively about \$15,000,000 worth of farm supplies in 1935. That is a rough figure arrived at by gross calculations.

About seven million of this fifteen million was petroleum products distributed by about 145 associations through 450 outlets.

CONTINUED EXPANSION PLANNED

Some of the rural oil associations carry regular farm supplies as a side line. Twine and paint are favorites, but almost everything used by the farmer such as fertilizer, feed, seeds, steel products, machinery, and salt are carried by one association or another. At present this business is secondary and no figures are available to show the percentage of farm supplies handled. It is planned to expand these lines, using these well-established co-ops as entering wedges for a complete line. The cooperative wholesales operating in this State, have this as a policy and are actively carrying it out.

This continuous expansion is an excellent cooperative principle, especially as far as the oil associations go. It serves to unify cooperative purchasing into one strong association whose primary purpose is buying and distributing at cost.

Most of the cooperative stores carry items which come under the heading of farm supplies, as opposed to consumer supplies. Small tools, feeds, twine, salt, fertilizer, seeds, machinery, and other items are carried. No figures are available to show the extent, but it probably exceeds the purely farm-supply business done by oil associations.

A third group of primary purchasing co-ops are sponsored by the Minnesota Farm Bureau Federation, through its service company established in 1932. Operations are small as yet, the total sales in 1934 being \$216,040. Sales were made through local Farm Bureau service companies, less than 10 of which have warehouses; also through local co-ops such as creameries and elevators, and to a considerable extent through private dealers on consignment or commission basis. Some objection has been made to this last practice on the ground that it is not consistent with good cooperative methods.

MARKETING COOPERATIVES ENTER COOPERATIVE PURCHASING BUSINESS

These three groups (rural oil associations, cooperative stores, and Farm Bureau service companies) are primarily purchasing or consumer cooperatives. In Minnesota, as in other States, however, marketing cooperatives have taken on cooperative purchasing as a side line. Of these the farmers' cooperative elevators do the largest business. Farm supplies fit in with the elevators because of the storage space available during slack seasons, the weighing and loading facilities, trackage, and the natural contact with the

farmer as his marketing agent. Many elevators have found that a farm supply line is a stabilizer sufficient to keep them from going bankrupt during bad years.

About 250 farmers' elevators carry side lines. That is, almost all of them in operation. Thirty-five side lines were carried by one or more elevators, in the following order of importance: Coal, feeds, oil meal, flour, tankage, mineral feed, twine, autos, tractors, tires, implements, hardware, and so forth. Feed grinding has become important in recent years also. Between 25 and 30 percent carry implements, usually the prison-made line. Eleven have bulk-oil stations.

Cooperative creameries are second in importance among the essentially marketing cooperatives in farm supplies handled. Due to the sanitary requirements of creameries, they are not so adaptable as elevators for handling supplies. A great many of the several hundred in the State do, however, handle creamery and poultry supplies and also flour and feeds. Six creameries have oil departments also. The total amount sold to farmers through creameries is not known.

Besides the five groups discussed above—oil, store, farm bureau, elevator, and creamery cooperatives—there are several smaller, scattered organizations which pool their buying power.

CENTRAL ORGANIZATIONS DEALING IN FARM SUPPLIES

We have in Minnesota four centrals that deal in farm supplies. Together with the Central Cooperative Wholesale of Superior, Wis., which also operates in our State, these four handle a considerable fraction of the farm supplies retailed through the many local outlets. Just how much is impossible to say; but of the \$8,000,000 estimated for the State (exclusive of petroleum) roughly, a million and three-quarters dollars, or less than a fourth, is acquired through a central cooperative organization.

Although this is a gross calculation, it is a reasonably true picture of the situation. It means that the cooperative farm-supply endeavors in our State are not well coordinated. There are local distributing units which do not buy within the movement and therefore do not contribute fully to cooperative progress. They are merely making a saving at the retail end, passing up the real benefits to be made by entering the wholesaling and manufacturing fields. The real job for the future lies in bringing these retail units together for united effort.

LAND O'LAKES HANDLES FARM SUPPLIES

Leaving petroleum out of the picture for the rest of the discussion, the Land O'Lakes association of creamery cooperatives, with headquarters in Minneapolis, handled more supplies than any of the other four centrals. That organization sold approximately \$1,108,140 worth of supplies in Minnesota in 1935. Most of it was machinery and supplies for creameries, but also such supplies as feed and flour were sold to the individual farmer. Net earnings for their supply business in Minnesota was about \$68,500. The net earnings are usually returned as patronage dividends or Land O'Lakes securities. Since the beginning about \$16,000,000 worth have been distributed in our State, on which the dividend was about \$887,000. A decidedly worth-while saving to the farmers of the State.

The Land O'Lakes organization is a federation of local creameries which are autonomous and subject only to local control. Creameries only are members of the central, the individual farmers belonging only through their locals. Although the Land O'Lakes was started with a small sum provided by the Farm Bureau, it is now independent of any farm organization.

FARMERS' UNION AND FARM BUREAU IN FARM-SUPPLY BUSINESS

Next to the Land O'Lakes, the Farm Bureau has the largest sale of farm supplies in the State. In 1934 it amounted to \$216,040, on which a \$5,101 net earnings was shown. The net was applied on a previous deficit. The Farm Bureau Service Co., St. Paul, is sponsored by the Minnesota Farm Bureau Federation. Membership is through local county units. Inasmuch as sales are made directly to the individual and also through member bureaus, the Farm Bureau Service Co. is a combination of the federated and

centralized systems of organization. It is essentially a farm organization with cooperatives as a part of its program.

Another farm organization, the Farmers' Union, has affiliates which distribute some farm supplies in Minnesota, although the bulk of its business is outside our State. The Farmers' Union Central Exchange, South St. Paul, has 15 oil associations in Minnesota, through which some supplies are sold. It is essentially a federated set-up, but has a few branches as well, and to that extent is centralized.

It is estimated that about a hundred and fifty thousand dollars' worth of farm supplies are sold in Minnesota by the Central Cooperative Wholesale, Superior, Wis., through its stores. This is a federated, nonfarm organization system operating on a fine cooperative basis. The business policy is the same as for all the lines carried by the C. C. W.

And lastly, the Midland Cooperative Wholesale, Minneapolis, which is also a federated purchasing organization and unaffiliated with any farm organization—the same as the C. C. W.—handles a few lines besides petroleum that go under the heading of farm supplies. Twine, paint, steel fencing, and roofing are the chief items. The total amount is not large as yet, but the Midland plans an ever-expanding program along this line through its affiliated oil associations.

CONCLUSION: FARM SUPPLY COOPERATIVES

After briefly surveying the cooperative farm-supply purchasing set-ups in Minnesota, several facts stand out: the isolation of many units, the uncoordinated state of the business, and the duplication of service by at least three of the centrals. This is the natural result of an evolutionary development such as the movement has experienced. Systems of coordination are now being studied. The future will show much greater progress.

CREDIT UNIONS IN MINNESOTA

Cooperatives are usually thought of as being associations dealing in commodities. That usually is the case. However, almost any service useful to people in business can be, and has been, provided by the cooperative method. One of these services, and a very important one indeed, is credit and savings facilities. In our complicated business world, using a money system, these two services are indispensable. People who wish to avoid exploitation in the field of finance have taken charge of it themselves—that is, provided it cooperatively.

A great deal of information on this subject has been collected in a manuscript on Credit Unions in Minnesota by Clyde Buell and Russel Lewis.

WHAT A CREDIT UNION IS

To this end a type of organization known in this country as a credit union has been developed. A credit union is simply a small people's bank which provides savings and small loans facilities to its members on a cooperative basis. A money pool, operated by and for the people. The credit union is a method for eliminating the human parasites which insert themselves into the people's financial affairs and use the people's own money for swindling the very same people.

ELIMINATE LOAN SHARKS

The usury exacted by loan sharks, up to a thousand percent and more, oppresses thousands who are driven into their clutches. The high legal rates charged by authorized loan companies cut down the living standard of millions. Also, installment buying through sales organizations exacts a high tribute, cutting down the real wages of the people. The extent of this sort of exploitation is amazing. Much of it is under cover because of its illegality, and most of the legal business is concealed by confusing rate schedules and discount schemes that most people are not able to figure out. Credit unions are designed to meet these problems.

In addition they serve other functions. They provide a convenient means for systematic saving, they make credit available at fair rates to people who have no credit at banks, and they educate people to budget their incomes carefully, and how to get their incomes converted into real wages—goods and services—without letting too much of it slip through their fingers.

Although the credit-union movement has only recently come to our country, it is an established institution in many of the older countries. It was officially started just 5 years after the Rochdale pioneers in 1844 got a firm foothold for the store cooperative. The credit unions began in another country, Germany, 1849.

HISTORY OF CREDIT UNIONS IN EUROPE AND UNITED STATES

The idea of people's banks, or, as we call them, credit unions, sprang from the dire need experienced by some farmers in Germany during a drought and famine in the eighteen-forties. Frederick William Raiffeisen met the issue by organizing the rural villages into credit groups, in which those who had a surplus of funds would deposit and from which the rest could borrow against the time when they would again be financially able. Also, as a group, they could obtain funds from outside agencies.

By recommendation of his neighbors, the farmer became a member and shared in the privilege, depositing and borrowing, and of voting—"one-man one-vote." No interest was paid on deposits, the desire being to build an indivisible revenue through earnings—social capital in other words. The sole income was from interest on loans, and the rates were low. Loans were made for productive or provident purposes upon security that the fellow credit unionists thought adequate. The stockholders were liable without limit for all claims, so the organization could borrow from outside sources and reloan to members. The essential features of the Raiffeisen banks, as they came to be called, are the restricted community membership, their democratic control, and the mutual nature of the business. Since 1889, they have had a share-capital structure.

Raiffeisen banks were planned for rural people, but another type of credit society was started at the same time, 1849, by Herman Schultze-Delitsch, in Saxony. It was a mutual organization, like the Raiffeisen banks, but was adapted for towns and cities. The Schultze-Delitsch bank had larger membership, paid offices, sold shares, took deposits, and paid dividends. They had limited liability and were less democratic.

GROWTH OF COOPERATIVE BANKS

With modifications these mutual or cooperative people's banks have grown in numbers throughout the world. Today there are thousands of them, both in the old countries of Europe and the Orient and in the newer countries of the West. The United States has about 4,000. In several countries they are extremely influential factors in the banking structure of the countries, some of them through central banks.

CREDIT UNIONS COME TO AMERICA

The credit unions came to America in 1900, when Alphonse Desjardins started a credit union at Levis, Quebec Province, within a Catholic parish. It was modeled after the Raiffeisen type. Then, in 1909, Desjardins was influential in setting up one among the French millworkers in Manchester, N. H., also within a Catholic parish. That was the first in the United States and is still going strong as the second largest in our country.

At this time, 1909, Edward A. Filene, a Boston merchant, became interested in the idea as a social program for working people. After going over the problem with Desjardins, Filene was instrumental in getting the first credit-union law in the United States through the Massachusetts Legislature in 1909. From then on until 1921 nine more States passed enabling legislation for credit unions. But it was not until 1927 that a systematic drive was begun to credit-unionize the United States; and again E. A. Filene was the godfather—this time as a philanthropist—giving up to 1935, about a million dollars.

Filene set up an organization called the Credit Union National Extension Bureau, with headquarters in Boston, for the purpose of promoting credit unions. Roy F. Bergengren was the executive secretary. He is still the head of the national organization that succeeded the bureau.

FEDERAL GOVERNMENT AND STATES PASS CREDIT-UNION LAWS

Under the guidance of the bureau most of the other States have passed favorable laws for credit unions, until

now 41 States have them and the Federal Government as well. The bureau has also sponsored organization work, and today 44 States have these cooperative credit and savings banks, 4,000 in all.

Thirty-five States have State credit-union leagues. In 1935 the old bureau was converted into the Credit Union National Association, with headquarters at Raiffeisen House, Madison, Wis. The movement is now almost weaned away from Mr. Filene's bounty and is becoming a self-sustaining, democratic organization.

The growth has been nonsectional in character, Western, Eastern, Southern States coming in successively. At present four Eastern and three Western States have no State laws for credit unions. The membership is about 95 percent urban.

I have a table showing the development in the United States, by 5-year periods up to 1930 and by years since 1933:

Growth of credit-union movement in the United States

| Year | Number of States with credit union legislation | Number of credit unions | Membership | | Assets | | |
|-----------|--|-------------------------|------------|-----------|--------------------|-------------|--------------------------|
| | | | Average | Total | Average per member | Total | Average per credit union |
| 1910..... | 1 | 2 | | | | | |
| 1915..... | 6 | 48 | 158 | 7,600 | \$61.84 | \$471,000 | \$29,812 |
| 1920..... | 11 | 142 | 280 | 39,800 | 89.39 | 3,568,000 | 25,126 |
| 1925..... | 18 | 257 | 508 | 130,700 | 161.93 | 21,165,000 | 82,354 |
| 1930..... | 32 | 1,017 | 287 | 292,800 | 139.48 | 40,910,000 | 40,226 |
| 1933..... | 36 | 2,200 | 163 | 360,000 | 180.55 | 65,000,000 | 29,545 |
| 1934..... | 41 | 3,000 | 250 | 750,000 | 120.00 | 90,000,000 | 30,000 |
| 1935..... | 41 | 4,000 | | 1,000,000 | | 120,000,000 | |

GOOD FUTURE FOR CREDIT UNIONS

In 20 years the number of credit unions increased from 48 to 4,000; the membership from 7,600 to over 1,000,000; assets from \$471,000 to \$120,000,000, a truly phenomenal development. When it is considered that the adult population is only 70,000,000, this means that 1 adult in 70 belongs to a credit union. Considering only the income earners, the figures would be close to 1 in 35.

And the end is not in sight. Several new unions are being set up every day, and the old unions are growing. The growth curve is almost perpendicular, with no plateau anticipated for several years. With such a movement in our midst, we may well ask, "What is a credit union, and how does it work?"

CREDIT UNIONS—AMERICAN STYLE

Like every other institution that thrives, credit unions have been modified and adapted to fit situations in which they exist. Our American version is a combination of the Raiffeisen and Schultze-Delitsch types. Although they are referred to as cooperative banks, they deviate from Rochdale principles on several points. They could as properly be called mutual banks.

As most of the State laws as well as the Federal law were sponsored by the Credit Union National Extension Bureau, the credit unions are quite similar in the several States, the variations being minor. So a description of the set-up under the Minnesota law will be typical for the country.

MINNESOTA CREDIT UNION LAW 1925

The Minnesota Credit Union law was enacted in 1925. Supervision is vested in the State banking commissioner. Under the law a credit union may be set up by any well-defined group of people who are bound together by a common occupational, cultural, or geographical interest. The groups are usually small, such as a factory, store, church, cooperative, or employees of a municipality or State. In fact almost any group that can qualify as a defined and limited group can have one.

MINNEAPOLIS POSTAL EMPLOYEES CREDIT UNION

The membership is small, an average of 176 per union in Minnesota. The largest one in our State is the Minneapolis postal employees, with 1,400. There are only four or five larger in the United States. The largest, the New York City municipal employees, has 4,000 members. In general

the idea is to keep the groups limited so that the members know each other personally. This makes administration easy, and personal responsibility a safeguard against losses. While only seven people are needed to organize, less than a hundred is not very practical unless an increase can be expected from within the group.

After the credit union is organized, incorporated, and chartered, the eligible people become members by paying a small fee and purchasing at least one share of stock, or "saving unit." The denominations are from five to ten dollars and may be paid for on the installment plan. The stockholders' liability is limited to the amount of stock or "savings units" he holds. The upper limit which a member may hold is determined by the board of directors. The shares are transferable and may be withdrawn upon notice. At any rate, all members have one vote and no more, regardless of how much stock they hold. Nor is proxy voting allowed. In this respect the credit unions are democratic, like regular Rochdale cooperatives.

CONVENIENT SERVICE

These shares or savings units are the principal source of capital for the small bank and are also the favored unit of saving for the members, although savings deposits are also accepted. The purchase of shares and making of deposits is very simple and handy, as the treasurer is present at the place of business or neighborhood in which the credit union operates. Also he is frequently available at hours when ordinary banks are closed. This handiness and ever-presence of the depository is conducive to the thrift habit. That is one of the two major purposes of the credit union. The other is credit.

Any member may apply for loans for productive or provident purposes. These purposes are rather liberally interpreted by the credit committee, depending somewhat on the financial position of the applicant. Discretion is exercised in such matters, but loans are made for almost everything from births to funerals.

SIZE OF LOANS AND RATES OF INTEREST

The loans are usually small, averaging \$90.57 in Minnesota in 1935. Good character, a cosigner, or security is required by the credit union, depending on the size of the loan and the person. Losses are very small; in Minnesota, 1935, only eighteen one-hundredths of 1 percent.

The loans are usually at the rate of 1 percent a month on unpaid balances. For loans of the type made by credit unions this is very low. Installment buying usually runs around 20 to 25 percent, or more, and the legal rate on loans in our State is 42 percent. Nor is there a service charge made by the credit union. The loans are paid back by installments.

These loans make it possible for the members to meet emergencies that arise, pay cash for purchases and save the difference, or increase their earning capacity by personal or business improvements. This and thrift are the two major purposes of the credit union.

The capital which the members place in the credit union is in some cases insufficient to handle all the loans. In that case they can borrow up to 50 percent of their assets. On the other hand, if they have too much money, they can invest in securities of various kinds approved by the Government agency regulating their operation. Government bonds are favored. The credit union must also maintain a surplus guaranty or reserve fund of not less than 20 percent of its assets.

EARNINGS OF UNION GO TO MEMBERS

The earnings of the credit union go to the stockholders and depositors. The deposits earn 3 or 4 percent, usually, and the upper limit on shares in Minnesota is fixed by law at 6 percent. The rest is added to reserves. And if the earnings are too large the rate on loans is reduced. Simon-pure cooperators object that there is no regular patronage dividend feature in the credit unions. Instead, they try to operate at cost. Also, that they do not charge market price for services. The answer must be that the credit union is dealing with a service and not a commodity and some of the Rochdale principles are not so well adapted for this service.

The credit union is more like a mutual society in this respect. After all, what is the market price for credit? One and a half percent which the Government gets some credit for, or a hundred and two percent which the loan shark gets? However, it is theoretically possible to operate a credit union on strict Rochdale principles, on the basis of some arbitrary rate of interest.

DEMOCRATIC CONTROL OF CREDIT UNIONS

The operation of the credit union is democratically controlled by the members. At the annual meeting they elect three bodies: A board of directors of from five to nine members, who have general management, fix rates of interest, make investments, and so forth; a credit committee of three that passes on all loans; and a supervisory committee that audits the books, suspends officers, calls special membership meetings, and, in general, holds the organization in review.

The board organizes itself with president, vice president, secretary, and treasurer. The treasurer is the general manager and really does the work of the credit union. In some of the larger ones the treasurer is paid, in others, not.

To sum up the credit unions in relation to the Rochdale cooperatives, I have a table showing without further comment the points of agreement and differences:

| | Credit union | Rochdale Co-op |
|------------------------|---|-------------------------|
| Membership..... | Limited to group..... | Unlimited. |
| Vote (control)..... | By persons..... | By persons. |
| Return on capital..... | Limited (6 percent)..... | Limited (6 percent). |
| Price..... | Low (cost)..... | Market. |
| Profits..... | To shares and deposits (to borrowers as low rates). | To patrons. |
| Organization..... | Federations (leagues)..... | Federations (centrals). |

STATUS OF CREDIT UNIONS IN MINNESOTA

The Minnesota State law was passed in 1925 through the efforts of Filene's organization, the Credit Union National Extension Bureau, and interested business and university men of the Twin Cities after a previous unsuccessful attempt in 1923. The first credit union in our State was organized the same year by the Minneapolis postal employees. The St. Paul Federation of Women Teachers was second in 1926.

At the end of that year there were six in the State. These had been organized by individuals with the aid of the bureau. Then in 1927 these few pioneers realized that they needed a central organization for promotion and for protection of various sorts, so the Minnesota Credit Union League was formed. It continues to this day as the coordinating body in this State, under the leadership of Clifford Skorstad, at 1954 University Avenue, St. Paul. It is supported chiefly by dues from locals, one-fourth of 1 percent of assets, with a minimum of \$5 and a maximum of \$300.

Principally because of the activity of this league, there are now 205 credit unions in Minnesota, all but 74 of which belong to the league.

I am presenting a table showing the growth and other salient figures as of December 31, 1935, for the entire period since 1926, when the movement really got started.

Ten years of progress¹

| Year | Number of credit unions ² | Members | Average for credit unions | Total resources | Average | Average loans outstanding per credit union | Number of individual borrowers |
|-----------|--------------------------------------|---------|---------------------------|-----------------|----------|--|--------------------------------|
| 1926..... | 6 | 938 | 156 | \$125,825 | \$20,971 | \$6,629 | 345 |
| 1927..... | 12 | 3,203 | 267 | 215,655 | 17,971 | 9,699 | 1,374 |
| 1928..... | 35 | 6,111 | 175 | 389,982 | 11,142 | 7,396 | 2,494 |
| 1929..... | 43 | 8,943 | 208 | 599,578 | 13,943 | 10,990 | 3,896 |
| 1930..... | 51 | 11,056 | 216 | 754,115 | 14,787 | 11,649 | 4,965 |
| 1931..... | 75 | 15,147 | 202 | 1,042,176 | 13,895 | 11,072 | 6,811 |
| 1932..... | 101 | 16,191 | 160 | 1,170,963 | 11,593 | 9,813 | 7,603 |
| 1933..... | 145 | 22,334 | 154 | 1,365,227 | 9,415 | 7,212 | 10,997 |
| 1934..... | 171 | 30,281 | 177 | 1,776,588 | 10,382 | 7,846 | 14,695 |
| 1935..... | 195 | 34,408 | 176 | 2,436,351 | 12,494 | 7,836 | 17,914 |

¹ Data compiled from the records of the State Banking Department.

² Ten small unions (late reports) not included.

| | Number of loans | Total loans during year |
|-----------|-----------------|-------------------------|
| 1934..... | 28,706 | \$2,166,776 |
| 1935..... | 33,918 | 3,070,050 |

PRIVATE INDUSTRY ENCOURAGES CREDIT UNIONS

It is interesting to note that capitalistic companies have seen fit to encourage credit unions, chiefly as an employee benefit plan. Cooperative associations have been slow, but they are now taking it up in earnest as a part of the general movement. Much can be expected from this quarter in the future. The commodity co-ops expect the credit unions to loan to members so as to relieve the co-op of credit troubles.

As to the sponsoring groups for this development, we have data on hand as follows:

| | |
|---|-----|
| Employees of private firms..... | 116 |
| Employees of State or Federal Government..... | 27 |
| Cooperative associations..... | 22 |
| Teacher and school employees..... | 9 |
| Religious groups..... | 9 |
| Lodges and benevolent associations..... | 8 |
| Communities..... | 8 |
| Unknown..... | 6 |
| Total..... | 205 |

So far the development has been almost entirely urban, but work is now being done in the country, and it is planned that they will thrive among farmers here as they have in other countries.

MEMBERSHIP GAINS

As to membership, the number has grown from less than a thousand to about 35,000 in the 10-year period. It has multiplied three and eight-tenths times since 1929. The average per society is 176; the largest has 1,400. In general, the size is such that the officers know every member personally, and this makes for safety, low cost, and small loss in making loans.

Resources have grown from \$125,825, 10 years ago, to about two and a half million at the present time, or four times what they were in 1929. The average per society slumped a bit during the worst year of the depression, but is now up and stands at about \$13,000 per society. The assets of the whole movement have shown consistent gains every one of the 10 years.

VOLUME OF LOANS MADE BY CREDIT UNIONS

The total resources give an idea of how much has been saved by members of credit unions. That is the thrift function. The number of loans and their amounts reveal the extent to which the union serves the credit needs of its members. In 1935, 17,914 persons made 33,918 loans from credit unions. That means that just about half of the members used the credit facilities, once or more, and that those who did use the service used it an average of 1.89 times each. Some borrowed once, some twice, and a few even oftener.

The average loan in 1935 was \$90.51; the average each borrower used during the year was almost double, \$171.37. They all qualify as small loans, however.

The overhead is very low, and the losses almost insignificant. In 1934, \$3,190 was charged off; and in 1935, of over \$3,000,000 in loans, only \$5,463, or 0.18 percent was charged off as loss.

After interest of 3 or 4 percent was paid on deposits, the dividends paid to stock varied from nothing in a very few cases to 9 percent. The usual rate was from 2.75 to 6 percent, with an average of 5.5 percent. Only seven paid more than the legal limit of 6 percent, but these will not continue to do this without being closed up. The average stock dividend per credit union was \$253, or \$1.43 per member. Not a significant sum, but the average resources per member (stock plus deposits) was only \$70.80. The credit union is not supposed to be a money-making institution but a service to its

members. The total amount of money saved and put into the credit unions, and the much larger sum loaned each year at a substantial saving to the borrower, fully justify the movement. It does precisely what it set out to do.

CREDIT UNION LEAGUES, ASSOCIATIONS, AND PUBLICATIONS

The credit unions follow the good cooperative practice of sticking together. In all, 37 States have credit union leagues. Their functions are similar to the one in Minnesota. Besides the regular function of promotion and education, four of the leagues, of which Minnesota's is one, have what are called league credit unions. These are patronized by officers of other credit unions (who cannot borrow from their own) and by member credit unions themselves. A central "bank", in other words. This phase of the work is expected to develop and become a real factor in regaining control of the people's money for the people.

NATIONAL CREDIT UNION ORGANIZATION

The State leagues are in turn federated into a national organization called the Credit Union National Association—C. U. N. A. for short. It is the successor to Filene's organization, dating from 1935. C. U. N. A. has headquarters at Raiffeisen House, Madison, Wis. It serves much the same function as the State leagues, but on a national scale. The association is supported by dues, 10 cents per member, collected through the State leagues.

Since 1934, when the Federal credit-union law was passed, the Federal Government, through the credit union division of the Farm Credit Administration, has been very active in organizational work. Nineteen organizers are now in the field. There is complete harmony between the Minnesota State league and the Federal set-up. The league will help organize under either State or Federal law, and Federal charter unions join the State league.

As to publications, the Minnesota league published a small periodical, *Dawn*, which has recently been discontinued. C. U. N. A. publishes *Bridge*, and the Farm Credit Administration publishes *Cooperative Saving*.

CONCLUSION—CREDIT UNIONS

That is what credit unions are, and that, in a general way, is how they work. It is a money service that is really in motion; and, from the way things are going, great things can be expected in the years to come. Above all, the credit unions are taking the hocus-pocus out of banking and showing the people that it is entirely possible to organize and run a financial business in their own interests. The credit unions are doing their part in taking the power away from our financial dictators.

MUTUAL AND COOPERATIVE INSURANCE IN MINNESOTA

Another field for financial service on a mutual or cooperative plan is insurance. A detailed manuscript on Mutual and Cooperative Insurance in Minnesota has been prepared by Chester Hull and Russel Lewis. In our country this method of insurance is many years older than the cooperative banks or credit unions. In some of the European countries, notably England, cooperative insurance is an old-established institution and renders a great and necessary service to the people at cost. Inasmuch as insurance is by its very nature a system of mutual aid, it is entirely proper and urgent that truly mutual and cooperative insurance be stressed in this country also. And, fortunately, just such a development is beginning to take on new form and life at the present time.

COOPERATIVE HEALTH INSURANCE

Insurance is, in its original meaning, a system for sharing losses sustained by any member of a group. In a less complicated society this could be and was accomplished in an informal manner. Among the early settlers in this country, for example, when a pioneer's house burned down the neighbors rebuilt the house. That was fire insurance, with an unwritten contract. Likewise, when sickness came to a family the neighbor ladies would take turns helping out. They knew that the service would be reciprocated, so in

reality it was health insurance. It is still practiced in many parts today, a type of insurance that works best in a closely knit community.

As neighbors became more numerous, and the people more specialized in their work, a voluntary subscription list was circulated on behalf of an unfortunate neighbor. Contributions were made out of a spirit of neighborliness, but also with the knowledge of each contributor that the list would circulate for him also if the need arose. This informal insurance is still practiced. Our Red Cross acts on that principle.

THE FIRST MUTUAL FIRE INSURANCE COMPANY

However, under this system of voluntary insurance there was no assurance that the unfortunate would receive aid. So a system was set up under which the members of a community or group pledged themselves to share each other's losses on a businesslike basis, by paying a pro-rata amount as the losses occurred. This is the assessment system, which, in a modified form, is the essential feature of mutual insurance companies today. The first fire-insurance company in this country was a mutual, organized in Philadelphia in 1730.

Out of the assessment system grew the practice of collecting the assessments before the actual loss occurred. The amount was based on the loss experience over a period of time. This is the premium system. An overcharge to cover all contingencies is purposely made at the time of collection.

In the truly mutual companies this overcharge is either returned or kept in reserve as social capital. The stock companies pocket the difference as profits. In this way the premium system has made possible the perversion of insurance from its original purpose of mutual aid to one of expropriation of people's property by the use of the people's own money.

In a stock company the premium payment covers the actual loss sustained by the company, the overhead expense, and the profits to owners of the stock. In a mutual the same is true, except that the profit item is left out. It may, however, be milked by the officers in the form of excessive salaries, expenses, and so forth.

SOME FACTS AND FIGURES ON INSURANCE

Many people think of insurance as a minor affair, a little nuisance that periodically demands attention. That is not the case, however. Minnesota's insurance bill for 1933 was almost a hundred million dollars, which is about \$40 per capita. This includes life, fire, and the casualty lines of insurance. About 43 percent of this was paid back on losses, leaving 57 percent for overhead and profits.

Cooperators believe much of this expense is unnecessary. The Massachusetts Savings Bank life insurance system since 1907 has been writing life insurance for about 30 percent less than regular companies. The difference we, the people, pay.

LIFE INSURANCE

Life-insurance accounts for the largest part of our insurance bill in Minnesota. The total in force in 1933 amounted to \$2,133,966,279. Premiums received were \$62,660,843, on which the losses were only \$23,138,797, or 36 percent. Only 10 percent of the life insurance was done by companies with home offices in Minnesota. Sixty-four percent was done by mutuals, the bulk of the rest being done by stock companies and fraternal organizations.

These life-insurance mutuals are not considered by some as good mutuals in the cooperative sense, because they are not democratically controlled, nor are they a great deal different from stock companies in business practice. A life-insurance company on more cooperative lines is now sponsored by the Northern States Cooperative League. It is called the "Cooperator's Life Association."

FIRE INSURANCE

Fire insurance in Minnesota is second only to life insurance in amount of premiums paid in, the total being about one-fourth, or \$15,909,713. A little over half of this was returned on losses, which is about 15 percent more than in

the life policies. Stock companies are first in the fire insurance, with 65 percent of the total, leaving about 35 percent for the mutuals. Companies with home offices in Minnesota did 38 percent of the fire-insurance business of the State. This compares with 10 percent for the life business.

Of the 38 percent done by Minnesota companies, 68 percent is carried by the township mutuals, 17 percent by statewide mutuals, and only 15 percent by stock companies. It is apparent that within our own State the mutual fire-insurance companies dominate with 85 percent of the business, although they have only 35 percent when all companies operating in the State are considered.

These mutuals are believed to be more truly mutual than the life and casualty companies that are so in name. Of the 160 township mutuals and the 47 State mutuals, most of them live up to democratic control by the membership and insurance at cost principles. The actual cost during the last 60 years for the township mutuals has been only 17 cents per \$100 of insurance per annum. The township mutuals during that period paid back 73 percent of the premiums collected, while stock companies paid back only 56 percent. State-wide mutuals did even less than the stock companies, with only 53 percent.

MINNESOTA AGAIN IN THE LEAD

This good record is mostly due to the restricted clientele and the nature of the risks on farm property. Village and small-town property is also covered, however. About 90 percent of the insurable farm property of the State is insured in this cooperative way, which makes Minnesota a leader in this respect.

Besides observing the cooperative principles of democratic control and return of excess charges, most of the mutuals are organized into the State Association of Farmers' Mutual Insurance Companies of Minnesota. It is for educational and protective purposes and is supported by dues. Through it the mutuals have connections with a national association of similar purposes. The township mutuals are serving a splendid purpose in the State, and we hope they will continue to do so.

CASUALTY INSURANCE

The field of casualty insurance is the least developed everywhere, and the same holds for Minnesota. Premiums paid in are about a million dollars less than for fire insurance. With few exceptions, the 23 mutuals operating in this field are mutual in name only, their operations and control being similar to regular stock companies. Together these nominal mutuals write about a fourth of the casualty insurance.

LAKE ELMO MUTUAL AUTOMOBILE INSURANCE CO.

However, one kind of casualty risk, namely, automobile insurance, has been handled in a small way by one local mutual, on a cooperative basis for some 15 years. This is the American Farmers' Mutual Automobile Insurance Co., of Lake Elmo. Recently it has come under the sponsorship of the Midland Cooperative Wholesale and taken on additional kinds of auto insurance. It is prospering and is due for a healthy growth in the years to come. Democratic control is maintained by a scheme of representative control through existing cooperatives. Because of selected risks it has a low loss ratio and effects a real saving to the patrons.

Outside of Minnesota the farm bureaus of Ohio, Illinois, and Indiana have gone into automobile insurance successfully in the interests of its constituents. They also operate in other States, including Minnesota.

CONCLUSION: COOPERATIVE INSURANCE

Today the insurance field is dominated by the profit motive, which cooperative leaders consider a perversion of the original purpose of insurance. This has brought many evils in its wake, the most important being the excessive cost.

In Minnesota and several other States, rural fire insurance is well taken care of. But other fields in both city and country have been scarcely touched by cooperative insurance as we define it. Other countries have gone considerably further in the solution of this problem and it might well

be that we can take their lead and work insurance in with our other types of cooperatives, particularly oil and store societies, as they expand. The "cooperative insurance society" operated by the English and Scottish wholesale is a good example. It is owned and controlled by the affiliated local commodity cooperative associations through the central societies. They achieve the necessary centralized large-scale operation with maximum control by individual policy-holders.

The English cooperators have developed other insurance practices, such as collective insurance for members, which can give us a lead in solving our insurance problems here in the United States.

COOPERATIVE BURIAL ASSOCIATIONS

A manuscript entitled "Cooperative Burial Associations in Minnesota", by A. J. Sprang and Russel Lewis, gives information on cooperative burial associations.

Like most other cooperative endeavors, the cooperative burial association idea originated in Europe. Only in recent years has the United States witnessed any development along this line. The first cooperative burial association in Minnesota was organized in 1928.

In order to get a perspective of the reasons for organizing a burial association, it is necessary to look for a moment at the burial industry. This is the only industry in which the limits of demand are fixed by natural causes. No amount of advertising or sales effort can increase the demand for funerals. The number of deaths per thousand of population has remained practically stationary during recent years, but during the period from 1900 to 1920 the number of undertakers in the United States increased from 16,200 to 24,464, or 51 percent. The ratio of annual deaths to the number of undertakers is a fair index of the amount of business distributed among the undertakers of the country. In 1920 the average was 56.6 deaths per undertaker. However, this business is not evenly distributed, as may be seen by the fact that not more than 15 percent of the undertakers in the Twin Cities handle 50 percent of the business. Consequently the smaller firms are obliged to set high prices to meet their costs, which results in high prices generally. It is generally felt that there is much exploitation in the burial industry.

HIGH COST OF FUNERALS

This high cost of funerals has been the chief cause for the formation of a number of cooperative burial associations in the North Central States in recent years. Those in Minnesota are chiefly in rural sections. Cooperative burial associations in Minnesota, like those of other States, are a defense against the exorbitant rates charged by private undertakers.

The usual cooperative burial society in Minnesota is a nonstock, nonprofit organization, with an average of 524 members doing business on the cost-plus basis. It allows all members an equal voice in the management and is reported as saving the members from one-third to one-half the current cost of funerals.

The first cooperative burial association in Minnesota was organized in 1928. However, the movement made slow progress up to 1932, when it began to show a marked increase. As of August 1, 1935, there were 15 incorporated associations in the State, 11 of which were actively engaged in business, and 4 were being organized. In Bemidji there is a cooperative cemetery association operating. The Clearwater County Casket Association, of Clearbrook, Minn., sells caskets only and does not conduct funerals. A forward step in the advancement of this movement is the forming of "regional" associations. One of these has as members 14 varied cooperative commodity associations consisting of 5,000 members.

STATE-WIDE SURVEY OF BURIAL ASSOCIATIONS

A State-wide survey of the cooperative burial associations in Minnesota was made, and questionnaires sent to every cooperative burial association listed as a going concern. Ten

replies were received, but only seven gave detailed information.

| Association no. | Number of members | Membership | Funerals | | Average cost, funerals | Savings (estimated) | Total sales |
|-----------------|-------------------|------------|----------|------|------------------------|---------------------|-------------|
| | | | 1932 | 1933 | | | |
| 1..... | 600 | \$5 | 67 | 30 | \$150 | 50 | \$14,550.00 |
| 2..... | 304 | 5 | 42 | 32 | 175 | 30 | 11,188.93 |
| 3..... | 684 | 5 | 42 | 56 | 163 | 50 | 14,289.00 |
| 4..... | 1,040 | 5 | 84 | 85 | 213 | 50 | 35,997.00 |
| 5..... | 385 | 5 | 12 | 15 | 145 | 50 | 3,409.27 |
| 6..... | 511 | 10 | 41 | 85 | 150 | 40 | 18,900.00 |
| 7..... | 100 | 6 | 4 | 10 | 100 | 40 | 1,184.58 |

Most of the societies furnish the members complete funeral services from embalming to actual interment.

The average cost of the 605 funerals during these 2 years was \$164.49. They ranged in price from \$50 to \$295. It is the policy of cooperative burial associations to reduce as much as possible the cost of a funeral for members. The complete funeral and service is priced practically at cost, which results in savings of 30 to 50 percent on the price usually charged by undertakers. In a few associations the market price for funerals is charged and a patronage rebate is made to the family at the end of the year. A small fund is generally carried in reserve for indigent cases. Also a reserve for bad accounts is usually maintained, and a few societies have an educational fund.

The burial associations in Minnesota are nonstock organizations operating with funds obtained through the sale of membership certificates, usually \$5. The Minnesota burial associations adhere to the cooperative principle of "one man, one vote." Proxy voting is allowed by only one Minnesota association. The societies are supervised by a board of directors, usually seven, and these elect the officers from among their own number.

REGIONAL BURIAL ASSOCIATIONS

Probably the best plan yet developed is the so-called regional one. The objective is to set up a burial association among the memberships of several existing cooperative associations, perhaps both producer and consumer cooperatives. This insures a large membership of people who know something about cooperative principles and practices. Membership is restricted to membership of a cooperative enterprise which is operating in the region.

The duties of a "regional" would be to act for all the individual society members, to take care of legal matters, to help in the purchasing of supplies, to assist the unit societies to increase their membership, and, in general, to act in an advisory capacity.

A good example of a "regional association" is the newly organized Range Cooperative Federation of Virginia, Minn. This association has as members 14 varied cooperative commodity associations consisting of about 5,000 individual members. The membership is restricted to cooperative store members, and its object is to better the service for store members and to furnish burial at as low a cost as possible. Due to the large membership a very nominal fee is charged and operation costs are reduced to a minimum.

MUTUAL AND COOPERATIVE TELEPHONE COMPANIES

Telephone service was one of the first businesses operated on a mutual or cooperative basis in Minnesota. It is not known exactly when the first mutual telephone line was established, but sometime during the early nineties is an approximate date. They developed almost exclusively in rural districts and small villages, places which private companies considered unprofitable or were slow in developing. A similar situation now exists in the electric power field. At present there are 1,558 rural and village telephone companies operating in Minnesota on a more or less mutual and cooperative basis. It is estimated that of the 80 percent of Minnesota farmers provided with telephone service,

perhaps 90 percent are served by these nonprofit companies. The present write-up is based on questionnaires returned by 1,197 of these.

The mutual and cooperative telephone organizations experienced a healthy and rapid growth from 1894 up to 1914, at which period a decline began in the number of new societies set up per year. That is, the rate of growth decreased, but, of course, the total number of societies became larger each succeeding year. I have a table showing the growth. The years are in 5-year periods, and the figures opposite indicate the number of new telephone organizations established during the period.

| | |
|----------------|-----|
| 1894-99..... | 10 |
| 1899-1904..... | 94 |
| 1904-09..... | 319 |
| 1909-14..... | 353 |
| 1914-19..... | 293 |
| 1919-24..... | 92 |
| 1924-29..... | 24 |
| 1929-34..... | 13 |

A manuscript entitled "Mutual and Cooperative Telephone Associations in Minnesota", by Clyde Buell and Russel Lewis, contains more detailed information.

The decline in rate is due principally to the fact that the saturation point has been reached in this field. Four-fifths of the rural population now have phones, and most of those that do not have installations could probably have them by connecting with an existing company.

HOW COOPERATIVE TELEPHONE COMPANIES STARTED

The movement started in the southeastern part of the State and then spread westward and north. At present the greatest concentration is in the central part of the State. All but eight counties now have at least one association. Fillmore County has 136, but several counties have only 1 apiece. The average for the 87 Minnesota counties is approximately 18 per county. Their average age is 22 years.

The mutuals vary in size from a copartnership line with only 3 subscribers to an incorporated one with 4,000 subscribers. The average number of members per company is 36, making a total membership of about 56,000 for all mutual and cooperative lines in the State. The societies also do business with nonmembers, an average of 14 percent per society.

In general there were four groups interested in developing these rural telephone lines. First, stock telephone companies interested in rural lines as feeders for its other lines and for the profit in it; second, businessmen in towns favored farm lines to bind the farmers into their particular trade area; third, equipment sellers were interested for the business in it; and, lastly, the farmer and villagers themselves felt the necessity for telephone service. They are in reverse order as to time of activity.

FARMERS AGAIN LEAD IN COOPERATION

At first the farmers started up in isolated communities, without relation to other lines, frequently building and servicing their own system. Later on, if the company grew, it established switching connections with other lines, both mutual and private. In many cases they merged with other mutual lines, and in some cases even sold out to private concerns. Even today members of many mutuals take care of their own lines and have no monetary income whatever.

The service rendered is of about the same standard as on lines operated by private companies and very much cheaper. The questionnaire shows that 918 mutuals charged three to nine dollars per year, including switching charge but not repair and upkeep; 105 charged nine to twelve dollars, including switching and part expenses; and 67 charged twelve to eighteen dollars, all costs. These will be reorganized, at very low cost for year-around phone service.

ORGANIZATION OF COOPERATIVE TELEPHONE COMPANIES

In organization these mutuals and cooperative telephone companies vary considerably. Most of them started as pure mutuals, without capital stock, and on an assessment basis.

Often they were not incorporated and many still are not. Each member had one vote, and this good cooperative feature is still in force in about 80 percent of all the existing mutuals, both pure and stock. The pure mutual is a self-help, nonstock cooperative, operated for service to its members.

The other companies were started as stock mutuals. That is, they issued stock to raise funds, usually one share to each member, but in some mutuals this rule is not followed: Only five mutuals pay interest on stock and none pay stock dividends, so this issuance of stock is really just a certificate of membership. Furthermore, the stock is nontransferable, a device to prevent unscrupulous parties from gaining control. The average number of shares issued by each company is 66, less than 2 shares per member.

There are variations of all sorts within the many companies, but they all have the cooperative feature of service for cost, carried on democratically by the membership. This is done through a board of directors who serve for a small fee, or voluntarily, plus actual expenses. The board hires a manager to do the actual work not done by members. One thousand one hundred and ninety-seven questionnaires reported that \$2,111,590 of telephone property is owned and taken care of in this manner by mutuals, and that their annual business amounts to \$518,988. Quite a number of them are now organized under the Minnesota cooperative law of 1923 and are true Rochdale cooperatives.

NO FEDERATION OF COOPERATIVE TELEPHONE COMPANIES

The mutual and cooperative telephone companies have not as yet federated themselves together in a strong, effective, cooperative union. Many people fear that these cooperatives, in their isolation, are fit prey for private interests desiring to take them over or drive them out. It is the experience of cooperatives that this is so, and in certain States and even in Minnesota this is happening. A central organization was started in 1908, the Minnesota Telephone Association, but it is now comprised of only 182 companies, only 22 of which are real mutuals. Although some few others have mutual features, three-fourths of the member companies are privately owned. A satisfactory union could possibly be effected with the Federated Electric Cooperative, 739 Johnson Street NE., Minneapolis. A. H. Howalt, manager, a newly formed federation, uniting rural electrification projects, chiefly in Minnesota and Wisconsin. Cooperative telephone associations and cooperative electric associations could work hand in hand, as the nature of their operations is similar, and their purpose is the same—service at cost.

COOPERATIVE ELECTRIC ASSOCIATIONS

Until the last few years, distribution of electricity has not been a live field for cooperative activity, either in Minnesota or other States. Social control of power has been thought of more from the municipal ownership angle. However, such cooperative enterprises are not unknown, and there are now four rural cooperatives distributing electricity in the State. Three others were organized but are not now in operation. One more, at Two Harbors, is cooperative in name only, being a part of the municipal system there.

One of the going concerns, at Granite Falls, was set up as long ago as 1913. Another one was set up in 1927, another in 1928, and the last in 1930. They are set up with various arrangements as to control and operation, in general, following cooperative and mutual practice. The business policy is usually to buy the power at wholesale from a municipal or private company and distribute it at cost.

Needless to say, the utility interests do not look with favor on any business which encroaches on their preserves and have done little to sponsor rural electrification, even though they themselves have not found it profitable to exploit the field. But with the enlightened policy regarding electric power inaugurated by the present administration we hope the farmers are about to get a break in this respect.

RURAL ELECTRIFICATION THROUGH COOPERATIVES

In addition to the T. V. A. and such projects, the Government has set aside \$100,000,000 for rural electrification to be administered through the R. E. A. (Rural Electrification

Administration). Through this act the Government offers to finance rural electrification lines for a period of 20 years at 3 percent. Private companies are eligible as well as co-operatives and municipal plants.

Many communities have proceeded to organize and take advantage of this opportunity. In general, the organizational activity is similar to any other cooperative. The shares are sold for \$5, according to the best policy, and the usual Rochdale principles adhered to. It is planned that about \$5 a month per subscriber will be sufficient to amortize the loan, run the line, and pay for 100 kilowatt-hours of electricity.

About 40 new electric cooperative associations are now being worked on in Minnesota, 25 of which are organized and selling stock, and 2 have been approved for loans by R. E. A.

MINNESOTA STATE DEPARTMENT OF AGRICULTURE HELPS

The State department of agriculture, dairy, and food is assisting the farmer in this work, as is also the Midland Cooperative Wholesale. The latter organization has also been instrumental in organizing the central federation for technical services, materials, promotion, and protection—the Federated Electric Cooperative, 739 Johnson Street NE., Minneapolis, incorporated February 1, 1935, under the cooperative law. It is hoped all rural electric cooperatives will be coordinated through this agency, which they own collectively.

The electric cooperatives are in embryo as yet. In the near future there will be great developments in this field.

COOPERATIVE TRUCKING ASSOCIATIONS

One of the latest developments in cooperative endeavor is the trucking associations. A manuscript entitled "Cooperative Trucking Associations in Minnesota", written by Clyde Buell and Russel Lewis, gives detailed information on this subject. Changing conditions of the past 20 years, and especially of the last 5 years, have been responsible for these new enterprises. Paved roads and modern high-speed trucks give quicker service than railroads, and in most cases the cost of shipping by truck is less than the combination of truck-rail-truck necessary to transport merchandise from shipper's place of business to consignee's door.

A cooperative trucking association is usually an organization among cooperative associations to engage in a trucking enterprise on a cooperative plan. The general nature of such a business is to develop and promote transportation facilities by truck for the members and patrons.

TYPES OF TRUCKING ASSOCIATIONS

There are different types of trucking associations in Minnesota, practicing different degrees of cooperation. They range from one which is organized among private businessmen to do their hauling, to truly cooperative trucking associations, which have cooperative associations only as members. In between are those which have both cooperatives and private businessmen as members; others which do cooperative hauling as a side line; and still others which are operated as trucking departments of cooperative federations.

One good arrangement is a trucking association composed of producer cooperatives, such as creameries, cheese factories, livestock-shipping associations, and farmers' elevators, to haul their products to market with return loads for cooperative stores, oil associations, and sidelines for farmers' elevators and creameries. Trucking associations can compete more effectively with private truckers if they have a full load both ways.

Those interested in this movement hope to organize inter-cooperative trucking associations similar to those now in operation at Benson and Detroit Lakes, Minn., to haul the products of the producers to market and bring back the merchandise needed by cooperative stores, oil associations, and other consumers' cooperatives.

Seven trucking associations were in active operation in Minnesota in June 1935, and 12 were operating as of February 14, 1936. Others are in process of organization. Oil associations and cooperative wholesales are especially active in helping to form new trucking associations. Minnesota

has taken the lead in trucking associations and very little seems to have been done outside the State, although undoubtedly the movement will spread.

PRESENT TRUCKING ASSOCIATIONS IN MINNESOTA

Cooperative trucking associations actively operating in Minnesota as of February 14, 1936, have their headquarters at Benson, Cambridge, Fergus Falls, Detroit Lakes, Grand Marais, Ada, White Bear, Thief River Falls, Montevideo, Askov, and Vernon Center. The federations are not listed, as their trucking is done as a department of the federation.

West Central Cooperative, Inc., Benson, Minn., has 21 members, all of them creameries. The Federated Cooperative Trucking Association, Cambridge, Minn., includes a livestock-shipping association, a creamery, and an oil association. The Farmers' Cooperative Trucking Association, Detroit Lakes, Minn., includes in its membership 14 cooperatives, 9 of which are creameries, 1 a potato-growers' association, and the others oil associations. The North State Transport Co., Fergus Falls, Minn., has 20 members, mostly creameries. The North Shore Businessmen's Trucking Association is only partly cooperative, being composed of cooperative fisheries on the North Shore and businessmen who provide the back haul. A so-called trucking association at Morris, Minn., is not cooperative, as its members are private businessmen.

LIVESTOCK SHIPPING ASSOCIATIONS

Trucking is done as a side line by many livestock-shipping associations which haul to the South St. Paul market, and bring back supplies for their own members and for other cooperatives. The Central Cooperative Association of South St. Paul has been particularly active in organizing or reorganizing livestock shipping associations so that livestock haulers can take feed and other supplies back to cooperatives. Seventy-one such associations had been so chartered as of February 1936. The Farmers' Union Livestock Commission Co. of South St. Paul has also shown some activity in this line. But such associations cannot be called trucking associations, as they are organized primarily for shipping livestock, the return haul being a side line.

Cooperative store federations have organized a number of trucking association departments for the use of members. These departments are financed by the federations, and if a profit is made, the member societies are rebated on the basis of patronage. Examples are the Range Cooperative Federation, Virginia; and the Maple Farmers' Cooperative Association, Maple, Wis. The store federations are connected with the Central Cooperative Wholesale, Superior, Wis.

Such wholesale or regional organizations as the Land O' Lakes Creameries, Inc., Central Cooperative Wholesale, Midland Cooperative Wholesale, and the Central Cooperative Association of South St. Paul, have been active in helping to set up and develop trucking associations and are members of the trucking associations.

LEGISLATION AFFECTING TRUCKING ASSOCIATIONS

In 1935 trucking associations were placed under the control of the Railroad and Warehouse Commission and subject to the provisions of the common-carrier acts, which provide standard rates. When standard rates are charged by cooperatives, the earnings can be prorated back to members on the basis of patronage.

So far as can be ascertained, no attempt has been made to set up an overhead organization among the trucking associations for promotion and protection.

However, the way is open for all consumers' and producers' cooperatives to organize intercooperative trucking associations to handle their transportation problems. Both consumers' and producers' cooperatives are necessary to provide two-way hauls. The cooperative trucking associations at Benson and Detroit Lakes are by some considered as models for any groups which plan to organize cooperative trucking associations.

MILK

Although Minnesota has an extensive system of cooperative creameries for marketing dairy produce, not a great deal has been accomplished from the consumer angle. The dairy products regularly sold through cooperative stores are, of

course, retailed by the consumer cooperative method; and a few dairy producers' cooperatives push the retail business from their angle. But the general business of retail milk distribution over the whole State has been left in private middlemen's hands for profit. As a result the milk distribution in our State is chaotic. The consumer pays a large price and the farmer gets a low one. This situation is neither desirable nor necessary.

THE FRANKLIN COOPERATIVE CREAMERY

The Franklin Cooperative Creamery in Minneapolis is the only large attempt to solve the problem from the consumers' angle. It was organized in 1919 as the result of a milk drivers' strike. It operates today as a labor copartnership in the interests of the employees. The board is composed entirely of employees, which puts the employees in position as both employer and employee.

The Franklin was an influence in bringing other companies to task on several matters, including quality and standards. At present it is the largest distributor in Minneapolis, with 30,000 patrons, only 4,000 of whom are members, however. It also sells about a fourth of its products to private dealers. The dollar value of sales in 1934 was \$2,259,934.33—more than any consumers' cooperative in our country. It operates two large plants, handling fluid products, butter, and ice cream.

The Franklin paid patronage dividends of 5 percent in 1922. Interest on shares is frequently declared. Since 1922 net earnings have been kept down by relatively high wages and competition. Shares have a par value of \$100.

COAL AND FUEL OIL

Many of the farmers' elevators and about 10 percent of the co-op stores carry coal as a side line. One store society handled \$37,000 worth in 1935.

However, there is only one separate cooperative coal association, and it also is about to be merged with the Minneapolis Cooperative Oil Association as a department. At present this Minneapolis association is controlled by the Midland Co-op Wholesale, which organized it with the intention of turning it over to consumers. The first year it made no earnings, but in 1936 its earnings will run around 75 cents to \$1 a ton. It has a good volume, and prospects are excellent.

One fuel-oil cooperative also operates in the State—the Allied Cooperatives of the Twin Cities. It was sponsored by existing Twin City cooperatives, especially the Park Co-op Oil Association and the Minneapolis Co-op Oil Association. It is a rapidly growing concern and has paid substantial dividends the 3 years of its existence.

Plans are nearing completion for the coal association, the Allied, and the Minneapolis Oil Association to merge into one association.

BOOK STORES

There are two cooperative book stores on the University of Minnesota campus, the engineers' book store and the law book store. One for medical students has some cooperative features, but is a branch of a downtown store. The so-called "co-op book store" on the edge of the campus is in no sense cooperative.

The law store was organized in 1934, but the engineers' store has been going successfully for 14 years. Most of the engineering students are members, 1,600 in 1935. Shares are \$5, which are returned upon leaving school. Patronage dividends, 15 percent in 1934, are paid to members. A real saving to students. Anyone wishing to carry this work further would do well to study the Harvard Cooperative Society, at which university the students have one large society that provides everything for students "from coonskins to sheepskins."

BOARDING HOUSES

Among the Finnish people of northern Minnesota are found cooperative boarding houses. In 1930 there were 25 in all. They cater to single people and generally operate on a cost-price policy. Cloquet, Virginia, and Duluth have good examples. Most of the Range towns have them.

CARLETON COLLEGE COOPERATIVE BOARDING CLUBS

Thirty-five to forty years ago at Carleton College cooperative student boarding clubs flourished and enabled many a financially embarrassed student to make his way through

college. I had the pleasure of sharing in the management of these clubs and took my turn as club buyer. Of course, our clubs could buy very advantageously—we always bought in considerable quantities. Sales people were glad to see us and we furnished excellent food to a large number of students at unbelievably low prices.

CAFES

The only known independently organized cooperative restaurant in the State is in the State Capitol Building, set up by a group of employees in 1935.

The employees of Land O'Lakes plant, in Minneapolis, operate a cafeteria for themselves. The Franklin Co-op Creamery also has a cafeteria for employees.

LAUNDRIES AND DRY CLEANING

So far as known there are no active cooperative laundries in the State at present, although several have been started. However, a dry-cleaning establishment, the Crystal Cooperative Cleaners of Minneapolis, has been in operation since 1931. It grew out of a strike in 1931, and the 50 or so shareholders are mostly members of the Dry Cleaners' Union.

GARAGE

Apart from the incidental garage work by the oil associations, only one cooperative garage operates in the State. That is at Hibbing. A move is on foot to make it a department of the Range Cooperative Federation, a group of stores. It appears that the garage business would be an excellent department for oil associations.

HALLS

Some of the cooperative societies in the Finnish districts have separate halls for meetings, both business and social. Others are looking forward to having one. The central organizations, and even some of the larger locals, have large rooms or halls in their regular buildings for cooperative business and recreation.

PARKS

In addition to halls, some districts have cooperative parks. One at Brule, Wis., is owned by a group of cooperatives and used for educational and recreational purposes. There are also several in upper Michigan, and in Minnesota there is one near Ely, up in the Finnish territory.

PAPERS

Besides the official organs of the several wholesales, there are several newspapers in the State more or less cooperative. There is one each at Foley, Bagley, Thief River Falls, and St. Paul. It would seem that the best approach would be through a central body, assuring democratic control and disinterested management.

MEDICAL

Little has been done in the State in the medical field, and most of what has been done pertains to hospitals. The Northern Pacific hospital service is probably best. It is controlled by employees of that railroad. The Omaha Railway has a similar plan. There are several other joint hospitalization schemes, but none of them are strictly cooperative in principle. Here is a large field that ought to be developed in the interest of public-health service.

AUDITING

Cooperative auditing calls for specialized auditors, due to the entirely different business motive than in ordinary business. The C. C. W. of Superior, Wis., maintains one service; the Northern States Cooperative League, another; and the Midland Cooperative Wholesale Houses, a third, which is, however, a separate association, known as the Cooperative Auditing Association. The Minnesota Department of Agriculture, Dairy, and Food has a cooperative auditing department. In the interests of economy and uniformity of accounting methods there should be more coordination between these various agencies.

OTHER COOPERATIVES

No useful service or commodity has gone unnoticed by the cooperative movement somewhere in the world. Doubtless many others could be found in our own State, but enough have been mentioned to indicate the breadth of the field. Cooperative housing, of which we have none in this State,

is a particularly fine field in some other countries and in some cities in the United States. There may be considerable development in this field in the near future.

CONCLUSION

Many people are surprised to learn the ramifications and the extent of Minnesota's cooperative movement. That in itself is a commendation, for it demonstrates that a new economic system can be inaugurated without violently disrupting our social structure. The process is gradual, producing a minimum of maladjustment, less indeed than the usual strain of capitalistic competition. Yet the final result will be a changed economic order, wherein production will be for use and service and not for profit. The result will be full capacity production, not partial production and artificial scarcity.

The cooperative method has the added advantage that it is effective immediately, in direct proportion to the extent it is put into operation. It does not require full support of all the people to be effective. It does not await political power. It grows more rapidly in States and countries where labor parties function and give aid. It depends entirely on voluntary action. Democratic control of business and industry is permanently rested in the people's hands. For this reason it should commend itself to the American people, who cherish voluntary action and democratic ideals.

Consumers' cooperation demonstrates to the individual and the world the feasibility and the desirability of working together for common purposes. The practical, material benefits, now and here, are convincing to practical people.

The present need of the cooperative movement is understanding, action, and perseverance.

APPENDIX

Cooperative statistics for Minnesota (1934-35)

| | Number | Members | Annual business |
|-------------------------------------|--------|------------|-----------------|
| CONSUMER | | | |
| Essentially Rochdale co-ops: | | | |
| Store societies (1934)..... | 103 | **25,000 | *\$5,611,383 |
| Affiliated..... | 38 | | |
| Independent..... | 65 | | |
| Oil associations (1935)..... | 150 | *50,000 | *7,500,000 |
| Affiliated..... | 95 | | |
| Independent..... | 55 | | |
| Total..... | 253 | **75,000 | *13,111,383 |
| Mutual or co-op societies: | | | |
| Credit unions (1935)..... | 205 | 35,000 | *3,075,000 |
| Insurance (1934)..... | 160 | *245,000 | *5,700,000 |
| Telephone (1933)..... | 1,558 | *56,000 | *670,000 |
| Burial (1933)..... | 10 | 5,180 | *51,600 |
| Total..... | 1,933 | *341,180 | *9,496,600 |
| Farm supply (other than above): | | | |
| Farm Bureau and Farmers' Union..... | *80 | *35,000 | *300,000 |
| Producer co-ops (side lines)..... | **600 | ***80,000 | **5,500,000 |
| Total..... | **680 | ***115,000 | *5,300,000 |
| Grand total (all societies)..... | *2,866 | ***531,180 | *27,907,983 |
| PRODUCER | | | |
| Creameries..... | 638 | **86,768 | *44,386,000 |
| Cheese factories..... | 36 | *1,008 | *1,000,000 |
| Fluid milk..... | 6 | *9,000 | *3,185,000 |
| Fruits and vegetables..... | 25 | **4,000 | *1,000,000 |
| Grain..... | *265 | **41,605 | *17,000,000 |
| Livestock..... | **325 | **66,625 | *22,000,000 |
| Poultry and eggs..... | *14 | *770 | *3,000,000 |
| Wool..... | 5 | *6,600 | *3,400,000 |
| Fish..... | 2 | *365 | *160,000 |
| Miscellaneous..... | 2 | | *2,253,000 |
| Grand total..... | *1,318 | **144,000 | *97,395,000 |

¹ Membership duplications probably 5 percent.

² Loans.

³ Premiums (mostly Township Mutual Fire Insurance Association).

⁴ Membership duplications probably 25 percent.

⁵ Includes that done through local Land O'Lakes.

⁶ Membership duplications probably one-third.

NOTE.—These figures are based on data gathered in a State-wide survey, and have been carefully weighed for accuracy and completeness. The probable limit of error is indicated as follows: No star (within) 5 percent; * 10 percent; ** 15 percent; *** 20 percent; **** 25 percent.

SELECTED READING LIST ON CONSUMER COOPERATION

One of the best books on consumer cooperation which has been put out in the United States is by Dr. J. P. Warbasse, and is entitled "Cooperative Democracy." The following list of books and

pamphlets is not exhaustive. There is a large supply of literature on the subject, particularly in Europe. The list below is a selection of some of the better books and pamphlets. These are available from the Cooperative League of the United States of America, Dr. James P. Warbasse, president, 167 West Twelfth Street, New York City; the Cooperative Publishing Association, of Superior, Wis.; and the Northern States Cooperative League, Sexton Building, Minneapolis, Minn.

GENERAL BOOKS

Cooperative Democracy. Dr. J. P. Warbasse (1927). The standard work in America by the president of the Cooperative League. (New edition out soon.) \$1.50.

The Doctor and the Public. Dr. J. P. Warbasse. A social history of medicine for the layman, and a discussion of ways by which individualistic medicine may be reorganized to the end that workers can "afford to be sick." \$5.

Consumer Cooperation in America. Bertram Fowler (1936). A recent popular treatise. \$1.

Cuna Emerges. Roy F. Bergengren (1936). The best book that has appeared in this country on "credit unions" put out by the Credit Union National Association, of Madison, Wis. \$1.

Cooperative Banking. N. Barou (1932). A description of cooperative banking in various countries. \$1.50.

Sweden, the Middle Way. Marquis W. Childs. In this book Mr. Childs gives an excellent and complete picture of the adjustments that the Scandinavian countries have made in their economic and political systems. He shows how a people can solve their economic problems by cooperation and political reforms. \$2.50.

Consumers' Cooperation. Albert Sonnichsen (1929). An incisive discussion written by the first secretary of the league. Out of print, but can be found in libraries.

Cooperation. Hall and Watkins (1935). New textbook published by the British Cooperative Union. \$3.

Cooperative Movement in Great Britain. Beatrice Potter. The first clear analysis of the significance of consumers' cooperative ownership and control as compared with employee ownership. Still standard (1891). \$1.10.

The Consumers' Cooperative Movement. Beatrice and S. Webb (1921). Written after 30 years of study in the birthplace of consumers' cooperation of the greatest English economic investigators and writers. Paper, \$2; cloth, \$5.

The Woman with the Basket. Catherine Webb. The history of the British Women's Cooperative Guild, as told by a leading interpreter of the movement, author also of the Industrial Cooperation. \$1.25.

My Apprenticeship. Beatrice Webb (1926). The biography by the world's greatest woman cooperative writer. Every woman should have it. \$3.

John T. W. Mitchell. Percy Redfern. The biography of the great leader of the C. W. S., who forged out the philosophy of consumer control. Every man and young man should read it as the story of the ideal businessman. \$1.

Rochdale Pioneers. George W. Holyoake (1892). Early history by one of the original Owenites, who is called the "peer of cooperative propagandists." \$1.10.

The National Being. George W. Russell (AE). A beautiful vision of what a cooperative Ireland could be, by the poet-secretary of the Irish movement.

The People's Year Book (1934). National and international. The annual of the great English and Scottish wholesale societies. Full of facts and figures and beautiful illustrations. Paper, \$0.75; cloth, \$1.35.

Consumers' Cooperative Societies. Charles Gide (1922). The standard continental work by one of the great leaders of cooperative thought. \$1.50.

Cooperative Ideals and Problems. Anders Orne (1926). A book on Sweden by a cooperative writer and officer and later director of the post office. \$1.35.

Cooperation in Sweden. Axel Gjores (1927). (International Cooperative Series No. 5.) A factual book describing the Ideal Cooperative Movement of Sweden (Cooperative Union of Manchester). \$1.25.

The Cooperative Republic. E. Poisson. An interesting, philosophic treatise by a leading French cooperator. \$2.

Finland a Nation of Cooperators. Thorsten Odhe (1931). A late story of the wonderful development of Consumers' Cooperation in Finland. \$1.50.

Cooperation in Denmark. L. Smith-Gordon and C. O'Brien (1929). (International Cooperative Series No. 4.) The standard work on cooperation in Denmark (Cooperative Union of Manchester). \$1.

Cooperation in Many Lands. L. Smith-Gordon and C. O'Brien (1920). (International Cooperative Series No. 1.) A theoretical treatise on European cooperation (Cooperative Union of Manchester). \$1.25.

Fresh Furrow. Burris Jenkins. America's first full-length cooperative novel. Depicts the life of farmers in our plains region and their awakening to the cooperative way of thinking. \$1.50.

BUSINESS BOOKS

Standard Cooperative Bookkeeping (vol. I and II). F. Hall. An excellent textbook and practical guide to cooperative-accounting methods and procedures put out by the Cooperative Union of Manchester. About \$1.50 each.

Handbook for Members of Cooperative Committees. F. Hall. A detailed textbook on problems of man control and management of cooperative societies put out by the Cooperative Union of Manchester.

Parliamentary Practice, by Henry M. Robert. Contains information on how to conduct meetings. \$1.25.

Swedish Cooperative Architecture. (Swedish Cooperative Union.) A book of pictures showing the architecture designed for the Swedish co-ops by their force of 20 architects. \$2.50.

Cooperation and the Future of Industry. Leonard S. Woolf. A penetrating analysis of the relation of the consumer cooperative to its employees and the State. \$1.50.

GENERAL PAMPHLETS

What is Consumers' Cooperation? Dr. J. P. Warbasse. A boiled-down statement of consumers' cooperative principles and practice. \$0.05.

Fundamentals of Consumers' Cooperation. V. S. Alanne. A study course. \$0.25.

History and Principles of Consumers' Cooperation. Ellis Cowling. A study-course outline. \$0.25.

A Short Introduction to Consumers' Cooperation. Ellis Cowling. \$0.15.

Seeking a New World Through Cooperatives. Carl R. Hutchinson. \$0.25.

America's Answer—Consumers' Cooperation. E. R. Bowen. A challenge and a call to action. A summary of consumers' cooperative principles and practice. \$0.10.

The Cooperative Movement. J. H. Dietrich. An excellent sermon on cooperation by a Minneapolis minister. \$0.05.

Cooperation Here and Abroad. Hugh J. Hughes. A general story written by a former farm-paper editor and Minnesota commissioner of agriculture. \$0.10.

The Discovery of the Consumer. Mrs. Sidney Webb (1928). Written after 40 years of study by the one who first clearly "discovered" the consumer. \$0.25.

Sweden, Where Capitalism Is Controlled. Marquis W. Childs. A splendid story by a reporter who was sent to Sweden. \$0.25.

Introducing Kagawa. Helen Topping. \$0.15.

Kagawa and Cooperatives. Victor E. Marriott. Kagawa states his philosophy on how to put Christianity into practice through cooperation. \$0.10.

The Economic Foundations of World Peace. Toyohiko Kagawa. An application of ethics to economics by a Japanese cooperative leader. \$0.35.

Can We Establish a Consumer Society. Cecil Crews. An attempt to foster consumer-mindedness.

A Trip to Cooperative Europe. Howard A. Cowden. \$0.05.

The C. W. S. of Today. George Darling, B. A. An illustrated survey of achievements.

Told in Brief. George Darling, B. A. The history and purpose of the C. W. S.

Cooperation of Consumers. T. Tweddell. The main principles of consumers' cooperation by a former chairman of the English Cooperative Wholesale Society. \$0.05.

Up From the Shadows. Michel Becker. A dramatic historical novelette of the Rochdale pioneers, translated from German. \$0.10.

The Negro Seeks Economic Freedom Through Cooperation, by J. L. Reddix. An address delivered before the National Seminar on Consumers' Cooperation of the Federal Council of Churches of Christ in America, Indianapolis, Ind., January 1, 1936. \$0.15.

How St. Francis Xavier University Educates for Action. The story of the remarkable results achieved by the extension department of St. Francis Xavier University, Antigonish, Nova Scotia. Published by the Cooperative League. \$0.20.

Cooperative Discussion Circles. A guidebook on the organization and leadership of discussion groups. Put out by the Ohio Farm Bureau. \$0.10.

Extension Program in Cooperation. Eight interesting and valuable lessons, by the State of Minnesota Department of Education. Free.

The Spider Web. Ellis Cowling. A cooperative play in three acts. \$0.25.

Organization and Management of Consumers' Cooperative Associations and Clubs. Bulletin of the United States Bureau of Labor Statistics, No. 598. \$0.10.

Organization and Management of Cooperative Gasoline and Oil Associations. Bulletin of the United States Bureau of Labor Statistics, No. 606. \$0.05.

Organization and Management of Cooperative Housing Associations. Bulletin of the United States Bureau of Labor Statistics, No. 608. \$0.25.

Cooperative Buying Clubs. A. W. Warinner. Their advantages and their weaknesses, with some suggestions and advice, by the executive secretary and educational director, Central States Co-op League, \$0.10.

PAMPHLETS ON MINNESOTA

R. K. Lewis and Associates (1933-35). (In typewritten form.) A manuscript on each major type of cooperative association in Minnesota, giving the results of a State-wide survey. Also several other related manuscripts. Available at St. Paul, Minn., office of the State department of agriculture, dairy, and food, and at the department of agricultural economics at the University Farm School, St. Paul.

United States Department of Agriculture Circular No. 80. R. K. Foker and H. B. Price. Organization and Management Problems of Cooperative Oil Associations in Minnesota (1929).

PERIODICALS

Consumers' Cooperation. Published by the Cooperative League of the United States of America. \$1.

The Cooperative Builder. Central Cooperative Wholesale, Superior, Wis. \$1.

The Midland Cooperator. Published by the Midland Cooperative Wholesale, Minneapolis, Minn. \$0.25.

The Bridge. Published by the Credit Union National Association, Raiffeisen House, Madison, Wis. \$0.50.

The Farmers Union Herald. Published by the Farmers Union Herald Publishing Co., St. Paul, Minn.

The Farm Bureau News. Published by the Minnesota Farm Bureau Federation, St. Paul, Minn.

Mr. COLDEN. Mr. Speaker, I ask unanimous consent to speak for 3 minutes.

The SPEAKER. Is there objection?

There was no objection.

Mr. COLDEN. Mr. Speaker, I am prompted to make just a few remarks because I became interested in some of the remarks made by the gentleman from Texas [Mr. SUMNERS]. He is talking about suspending the patent monopoly on improvements of labor-saving machines. Labor-saving machinery adds to the wealth and to the production of wealth in this country. To my mind, suspension of invention is no solution whatever of our problem. What we need in this country is fair distribution of the product of the machines. We want all the labor-saving devices we can invent and that we can use, and we want to add to the wealth of this country, so that every person may have a greater share in the production of this country. I feel that the solution we must finally seek is fair distribution.

Now, coming to this employment situation in the country, there are millions of men out of work. The machines of the country are able to produce all that we can consume, because we do not have buying power among our people. If you can put machinery in the hands of idle people so that they can produce and supply their own needs, you have made an advance on that problem. We have had considerable discussion in California with respect to the cooperatives for the unemployed. If we can set up cooperatives so that these idle people can provide their own work, produce their own food and clothing and their own shelter, we can put those people to work and add to the wealth of the Nation. The gentleman from Minnesota [Mr. LUNDEEN] mentioned cooperatives. That is a great movement. It is sure to become a factor in our national economy. But the idle people of this country today do not have the capital to provide themselves with the tools or machines that are needed. I feel we should have some governmental agency, because there is no other agency to provide this set-up so that these people can either take a piece of land or machinery and produce what they need.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield?

Mr. COLDEN. I yield.

Mr. MARCANTONIO. Does not the gentleman believe that the benefit of these labor-saving devices can be distributed to labor by cutting down the hours of labor without decreasing wages, such as is provided in the 30-hour-week bill?

Mr. COLDEN. I think that is one of the solutions; yes.

Mr. LUNDEEN. Mr. Speaker, will the gentleman yield?

Mr. COLDEN. I yield.

Mr. LUNDEEN. As I understand the gentleman, he is in favor of the Government financing these cooperatives or making finances available to them?

Mr. COLDEN. I do not see any other way out.

Mr. LUNDEEN. I will say that the administration has given great encouragement along that line and deserves credit for it.

The SPEAKER. The time of the gentleman from California [Mr. COLDEN] has expired.

SEVENTIETH NATIONAL ENCAMPMENT OF GRAND ARMY OF THE REPUBLIC IN WASHINGTON, D. C.

Mrs. NORTON. Mr. Speaker, I ask unanimous consent for the immediate consideration of House Joint Resolution 465, to amend the joint resolution of July 18, 1935, relating to the Seventieth National Encampment of the Grand Army of the Republic, to be held in the District of Columbia in September 1936.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. SNELL. Reserving the right to object, Mr. Speaker, I shall not, but, of course, it was understood we were not going to take up any more business this afternoon. However, the gentlewoman from New Jersey explains that this is an emergency and there is no opposition whatever, so I cannot see any objection to bringing it up at this time.

The SPEAKER. Is there objection?

There was no objection.

The Clerk read as follows:

Resolved, etc., That section 1 of the joint resolution entitled "Joint resolution giving authority to the Commissioners of the District of Columbia to make special regulations for the occasion of the Seventieth National Encampment of the Grand Army of the Republic, to be held in the District of Columbia in the month of September 1936, and for other purposes, incident to said encampment", approved July 18, 1935, is amended to read as follows:

"That the Commissioners of the District are hereby authorized and directed to make such special regulations for the occasion of the encampment of the Grand Army of the Republic, which will take place in the District of Columbia in the month of September 1936, as they shall deem advisable for the preservation of public order and the protection of life and property, to be in force 1 week prior to said encampment, during said encampment, and 1 week subsequent thereto. Such special regulations shall be published in one or more of the daily newspapers of the District of Columbia, and no penalty prescribed for the violation of such regulations shall be enforced until 5 days after such publication. Any person violating any of the aforesaid regulations or the schedule of fares hereinafter provided for shall, upon conviction thereof in the police court of the said District, be liable for such offense to a fine not to exceed \$100, and in default of payment of such fine to imprisonment in the workhouse (or jail) of said District for not longer than 60 days. This resolution shall take effect immediately upon its approval, and the sum of \$20,000, or as much thereof as may be necessary, payable from any money in the Treasury not otherwise appropriated and from the revenues of the District of Columbia, in equal parts, is hereby authorized to be appropriated to enable the Commissioners of the District of Columbia to carry out the provisions of this joint resolution, \$1,000 of which shall be available for the construction, maintenance, and operation of public comfort stations and information booths, and \$5,000 of which shall be available for the maintenance of public order and the protection of life and property, under the direction of said Commissioners. The balance of the aforesaid \$20,000 appropriation, or as much thereof as may be necessary, is hereby authorized to be used for all expenses incidental to the encampment of the Grand Army of the Republic, such as has heretofore been provided in other cities where the encampments have been held, and for all other purposes in connection with said encampment."

Sec. 2. That portion of section 5 of such joint resolution of July 18, 1935, which precedes the first proviso, is amended to read as follows:

"Sec. 5. That the Superintendent of National Capital Parks, subject to the approval of the Director of National Park Service, is hereby authorized to grant permits to the citizens' executive committee for the entertainment of the Grand Army of the Republic for the use of any reservation or other public spaces in the city of Washington on the occasion of the seventieth national encampment, in the month of September 1936, which, in his opinion, will inflict no serious or permanent injuries upon such reservations or public spaces, or statutory therein; and the Commissioners of the District of Columbia may designate for such and other purposes on the occasion aforesaid such streets, avenues, and sidewalks in the said city of Washington as they may deem proper and necessary for the erection of reviewing stands, platforms, or other structures, and that no person or corporation shall be authorized to erect or use such stands, platforms, or other structures without permission of said committee."

With the following committee amendment:

Page 1, strike out all of lines 3 to 8, inclusive; on page 2, strike out all of lines 1 to 25, inclusive; and on page 3, strike out lines 1 to 14, inclusive, and insert:

"That section 1 of the joint resolution entitled 'Joint resolution giving authority to the Commissioners of the District of Columbia to make special regulations for the occasion of the Seventieth National Encampment of the Grand Army of the Republic to be held in the District of Columbia in the month of September 1936, and for other purposes, incident to the said encampment', approved July 18, 1935, is hereby amended to read as follows:

"That the Commissioners of the District of Columbia are hereby authorized and directed to make such special regulations for the occasion of the encampment of the Grand Army of the Republic, which shall take place in the District of Columbia during the month of September 1936, as they shall deem advisable for the preservation of public order and the protection of life and property, to be in force 1 week prior to said encampment, during said encampment, and 1 week subsequent thereto, such special regulations shall be published in one or more of the daily newspapers of the District of Columbia, and no penalty prescribed for the violation of such regulations shall be enforced until 5 days after such publication. Any person violating any of the aforesaid regulations or the aforesaid schedule of fares shall, upon conviction thereof in

the police court of the said District, be liable for such offense to a fine not to exceed \$100, and, in default of payment of such fine, to imprisonment in the workhouse (or jail) of said District for not longer than 60 days. This resolution shall take effect immediately upon its approval, and the sum of \$15,000 or as much thereof as may be necessary, payable from any money in the Treasury not otherwise appropriated, and from the revenues of the District of Columbia in equal parts, is hereby appropriated. The Commissioners of the District of Columbia are hereby authorized in conjunction with the Citizens' Executive Committee of the Grand Army of the Republic, who shall be appointed by the said Commissioners, to expend the said sum of \$15,000 to carry out the provisions of section 1 of this joint resolution, and for such expenses incident to the encampment as the said Commissioners, in their discretion and judgment, may deem advisable."

The committee amendment was agreed to.

The House joint resolution as amended was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

APPOINTMENT OF COMMITTEE TO INVESTIGATE AGENCIES OF THE GOVERNMENT

The SPEAKER. Pursuant to the provisions of House Resolution 460, Seventy-fourth Congress, the Chair appoints as members of the Select Committee to Investigate Executive Agencies of the Government with a view to coordination the following Members of the House: Mr. BUCHANAN, Mr. COCHRAN, Mr. BROWN of Michigan, Mr. LEHLBACH, and Mr. WADSWORTH.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. BROOKS, for 4 days, on account of important business.

To Mr. FITZPATRICK, for 3 days, on account of death in family.

To Mr. POLK, for 1 week, on account of important business.

To Mr. ROSSION of Kentucky, for today, on account of illness.

To Mr. SHANNON, for 3 days, on account of business.

To Mr. SMITH of Virginia (at the request of Mr. DARDEN), on account of official business.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 3842. An act to authorize the coinage of 50-cent pieces in commemoration of the one hundredth anniversary of the establishment of the territorial government of Wisconsin, and to assist in the celebration of the Wisconsin Centennial during the year of 1936; and

S. 4229. An act to authorize the coinage of 50-cent pieces in commemoration of the one hundredth anniversary of the incorporation of Bridgeport, Conn., as a city.

ADJOURNMENT

Mr. O'CONNOR. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 3 o'clock and 50 minutes p. m.) the House, in accordance with its order previously adopted, adjourned until tomorrow, Thursday, May 7, 1936, at 11:30 a. m.

COMMITTEE HEARING

COMMITTEE ON THE PUBLIC LANDS

There will be a meeting of the Committee on the Public Lands on Thursday, May 7, 1936, at 10 a. m., in room 328, House Office Building, to consider H. R. 7086, Mount Olympus National Park, in executive session.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. WILSON of Louisiana: Committee on Flood Control. S. 3531. An act to amend the act entitled "An act for the control of floods on the Mississippi River and its tributaries, and for other purposes", approved May 15, 1928; without amendment (Rept. No. 2583). Referred to the Committee of the Whole House on the state of the Union.

Mr. DISNEY: Committee on Ways and Means. House Joint Resolution 497. Joint resolution to permit articles imported from foreign countries for the purpose of exhibition at the International Petroleum Exposition, Tulsa, Okla., to be admitted without payment of tariff, and for other purposes; without amendment (Rept. No. 2584). Referred to the Committee of the Whole House on the state of the Union.

Mr. LAMNECK: Committee on Ways and Means. House Joint Resolution 547. Joint resolution providing for the importation of articles free from tariff or customs duty for the purpose of exhibition at Great Lakes Exposition to be held at Cleveland, Ohio, beginning in June 1936, and for other purposes; with amendment (Rept. No. 2585). Referred to the Committee of the Whole House on the state of the Union.

Mr. ROGERS of Oklahoma: Committee on Indian Affairs. H. R. 11739. A bill to amend the last paragraph, as amended, of the act entitled "An act to refer the claims of the Delaware Indians to the Court of Claims, with the right of appeal to the Supreme Court of the United States", approved February 7, 1925; without amendment (Rept. No. 2586). Referred to the Committee of the Whole House on the state of the Union.

Mr. THOMASON: Committee on Military Affairs. S. 4265. An act to authorize the Secretary of War to set apart as a national cemetery certain lands of the United States Military Reservation of Fort Bliss, Tex.; without amendment (Rept. No. 2587). Referred to the Committee of the Whole House on the state of the Union.

Mr. RAYBURN: Committee on Interstate and Foreign Commerce. H. R. 11108. A bill to advance a program of national safety and accident prevention; without amendment (Rept. No. 2588). Referred to the Committee of the Whole House on the state of the Union.

Mr. RAYBURN: Committee on Interstate and Foreign Commerce. S. 2243. An act relating to the allocation of radio facilities; without amendment (Rept. No. 2589). Referred to the Committee of the Whole House on the state of the Union.

Mr. CONNERY: Committee on Labor. H. R. 12285. A bill to rehabilitate and stabilize labor conditions in the textile industry of the United States; to prevent unemployment and to provide minimum wages, maximum hours, and other conditions of employment in said industry; to safeguard and promote the general welfare; and for other purposes; with amendment (Rept. No. 2590). Referred to the Committee of the Whole House on the state of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DEMPSEY: A bill (H. R. 12604) to authorize the coinage of 50-cent pieces in commemoration of the four hundredth anniversary of the journeys and explorations of Francisco Vazquez de Coronado; to the Committee on Coinage, Weights, and Measures.

By Mr. FERGUSON: A bill (H. R. 12605) to provide annuities for widows of employees of the United States and the District of Columbia; to the Committee on Pensions.

By Mr. KING: A bill (H. R. 12606) to amend an act entitled "An act to enable the Legislature of the Territory of Hawaii to authorize the issuance of certain bonds, and for other purposes"; approved Aug. 3, 1935; to the Committee on the Territories.

By Mr. SUMNERS of Texas: A bill (H. R. 12607) to authorize the Secretary of War to lend Army equipment to the Texas Centennial Central Exposition for the use of 4-H clubs and similar organizations of boys and girls attending the Texas centennial; to the Committee on Military Affairs.

By Mr. HIGGINS of Massachusetts: A bill (H. R. 12608) to fix the ratio of substitutes to regular employees in post offices and in the Railway Mail Service; to the Committee on the Post Office and Post Roads.

By Mr. LEA of California: A bill (H. R. 12609) to provide funds for cooperation with public-school districts of the Hoopa Valley Indian Reservation, Calif., for extension of

school buildings and equipment to be available for Indian children; to the Committee on Indian Affairs.

By Mrs. ROGERS of Massachusetts: A bill (H. R. 12610) for the relief of war veterans who were disabled as the result of the Florida hurricane at Windly Island and Matecumbe Keys September 2, 1935, their widows, children, and dependent parents; to the Committee on World War Veterans' Legislation.

By Mr. MARCANTONIO: A bill (H. R. 12611) to provide for the granting of sovereignty to the island of Puerto Rico and to provide for neighborly relations with the proposed government of Puerto Rico; to the Committee on Insular Affairs.

By Mr. DUFFY of New York: A bill (H. R. 12612) to supplement the act of June 25, 1929 (ch. 41, 46 Stat. L., 41), which authorized and directed the Attorney General to institute suit against the Northern Pacific Railway Co. and others; to the Committee on the Judiciary.

By Mr. HILDEBRANDT: A bill (H. R. 12613) to provide for the extension of star-route contracts and authorizing the Postmaster General to grant additional compensation; to the Committee on the Post Office and Post Roads.

By Mrs. ROGERS of Massachusetts: Resolution (H. Res. 504) requesting the Secretary of State to transmit to the House of Representatives certain information relating to the protection of the American Legation at Addis Ababa; to the Committee on Foreign Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. EKWALL: A bill (H. R. 12614) for the relief of M. Seller & Co.; to the Committee on Claims.

By Mr. GAVAGAN: A bill (H. R. 12615) for the relief of Arthur J. Williams; to the Committee on Claims.

By Mr. GOLDSBOROUGH: A bill (H. R. 12616) for the relief of Luther E. Bozman; to the Committee on Claims.

By Mr. HIGGINS of Massachusetts: A bill (H. R. 12617) for the relief of Guido Guidi; to the Committee on Immigration and Naturalization.

By Mr. McGEHEE: A bill (H. R. 12618) for the relief of F. L. Applewhite, Sr.; to the Committee on Claims.

By Mr. O'BRIEN: A bill (H. R. 12619) for the relief of Mrs. Fonetí Petrakos, executrix of the estate of Tom H. Petrakos; to the Committee on Claims.

By Mr. PARSONS: A bill (H. R. 12620) for the relief of Jerome H. Howard; to the Committee on Claims.

By Mr. ROGERS of Oklahoma (by departmental request): A bill (H. R. 12621) for the relief of G. A. Trotter; to the Committee on Claims.

Also (by departmental request), a bill (H. R. 12622) for the relief of Dr. Harold W. Foght; to the Committee on Indian Affairs.

By Mr. THOMPSON: A bill (H. R. 12623) for the relief of John M. Brant Co.; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

10839. By Mr. KING: Petition of the Honolulu Chapter of the Woman's Christian Temperance Union of the Territory of Hawaii; to the Committee on Ways and Means.

10840. By Mr. LAMNECK: Petition of Marion Richardson, secretary, Northern Circle Child Conservation League, of Columbus, Ohio, urging early hearings on motion-picture bills now in Congress; to the Committee on Interstate and Foreign Commerce.

10841. By Mr. PFEIFER: Petition of the Bookkeepers, Stenographers, and Accountants' Union, New York City, approving the Walsh-Healey bill; to the Committee on Labor.

10842. Also, petition of the Gleason-Tiebout Glass Co., Brooklyn, N. Y., concerning the Patman-Robinson anti-chain-store bills; to the Committee on Interstate and Foreign Commerce.

10843. By Mr. POWERS: Petition of Mrs. L. W. Ancker and others, relative to House bill 8739; to the Committee on the District of Columbia.

10844. By Mr. RABAUT: Petition of the Board of County Commissioners of Cuyahoga County, requesting endorsement of House bill 12243; to the Committee on Banking and Currency.

10845. By Mr. SUTPHIN: Petition of the Bayshore Shellfisheries Association, of Highlands, N. J., urging the President of the United States to authorize the appropriation of sufficient funds to defray the cost of relocating the Fort Hancock sewage outlet from Sandy Hook Bay to the Atlantic Ocean, as the present situation may pollute the bay waters and result in preventing the marketing of shellfish taken from the waters of Sandy Hook Bay; to the Committee on Merchant Marine and Fisheries.

SENATE

THURSDAY, MAY 7, 1936

(Legislative day of Friday, Apr. 24, 1936)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

THE JOURNAL

On request of Mr. ROBINSON, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Monday, May 4, 1936, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States were communicated to the Senate by Mr. Latta, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had passed without amendment the following bills of the Senate:

S. 158. An act authorizing the President to present a medal in the name of Congress to Johannes F. Jensen;

S. 427. An act authorizing the reimbursement of Edward B. Wheeler and the State Investment Co. for the loss of certain lands in the Mora grant, New Mexico;

S. 1494. An act to amend an act entitled "An act authorizing the Chippewa Indians of Minnesota to submit claims to the Court of Claims", approved May 14, 1926 (44 Stat. L. 555);

S. 2040. An act to amend an act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes", approved September 7, 1916, and acts in amendment thereof;

S. 2517. An act to provide for the advancement on the retired list of the Navy of Walter M. Graesser, a lieutenant (junior grade), United States Navy, retired;

S. 2611. An act to authorize the Utah Pioneer Trails and Landmarks Association to construct and maintain a monument on the Fort Douglas Military Reservation, Salt Lake City, Utah;

S. 2849. An act to provide for cooperation with Wellpinit School District No. 49, Stevens County, Wash., for the construction of a public-school building to be available for Indian children of the Spokane Reservation;

S. 3241. An act authorizing adjustment of the claims of F. L. Forbes, John L. Abbot, and the Ralph Sollitt & Sons Construction Co.;

S. 3372. An act to provide funds for cooperation with the public-school district at Hays, Mont., for construction and improvement of public-school buildings to be available for Indian children;

S. 3460. An act to authorize the Secretary of the Interior to ascertain the persons entitled to compensation on account of private claim 111, parcel 1, Nambe Pueblo grant;

S. 3516. An act for the relief of Alice D. Hollis;